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TD BANK FINANCIAL GROUP

144TH ANNUAL REPORT 1999

momentum





CORPORATE PROFILE

The Toronto-Dominion Bank, also referred to as "TD Bank" or "TD", and collectively with its subsidiaries referred to as "TD Bank Financial Group", a chartered bank subject to the provisions of the *Bank Act* of Canada, was formed on February 1, 1955 through the amalgamation of The Bank of Toronto, chartered in 1855, and The Dominion Bank, chartered in 1869.

At October 31, 1999, TD ranked as the largest Canadian bank in terms of market capitalization.

In Canada and around the world, TD Bank Financial Group serves more than 9 million customers in three key areas: personal and commercial banking, wealth management, and wholesale banking – marketed under the name "TD Securities".

TD's retail bank offers a wide variety of products and services through 892 retail outlets across Canada. In addition, TD Access, TD's innovative electronic banking service, offers customers access to retail products and services throughout Canada and U.S. via TD Access Telephone Banking, The Green Machine automated banking machine network, TD Access Web Banking, access to INTERAC Direct Payment, and TD Waterhouse Bank.

TD's wealth management businesses include its discount brokerage and mutual fund operations. TD Waterhouse Group, Inc. represents the world's second-largest discount brokerage, currently with 3.1 million customer accounts in the United States, Canada, Australia, the United Kingdom and Hong Kong. TD Waterhouse Group, Inc. trades on The New York Stock Exchange and The Toronto Stock Exchange following the completion in June 1999 of a $1.5 billion initial public offering of 11.5% of the company's common stock. TD Asset Management Inc. is one of Canada's largest and most diversified mutual fund companies, managing $47 billion for mutual funds, pension funds, corporations, institutions, endowments, foundations and high net worth individuals.

TD Securities provides issuing, borrowing and investing clients a full range of services in key areas of finance: investment banking (which includes merchant banking, corporate banking and syndications), debt capital markets, equities and foreign exchange.

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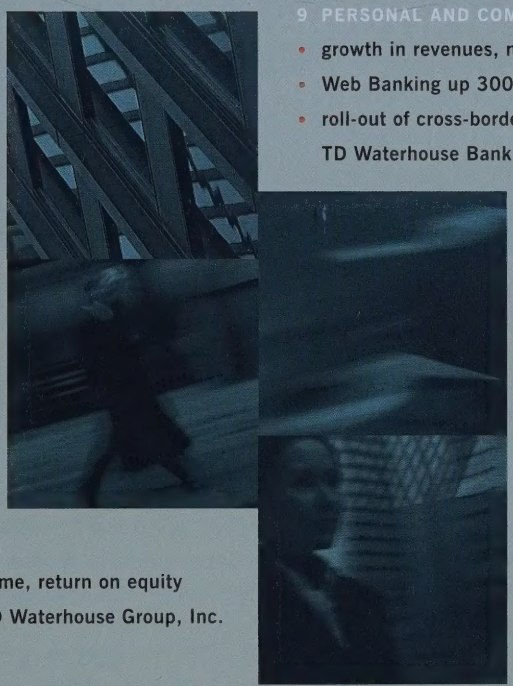
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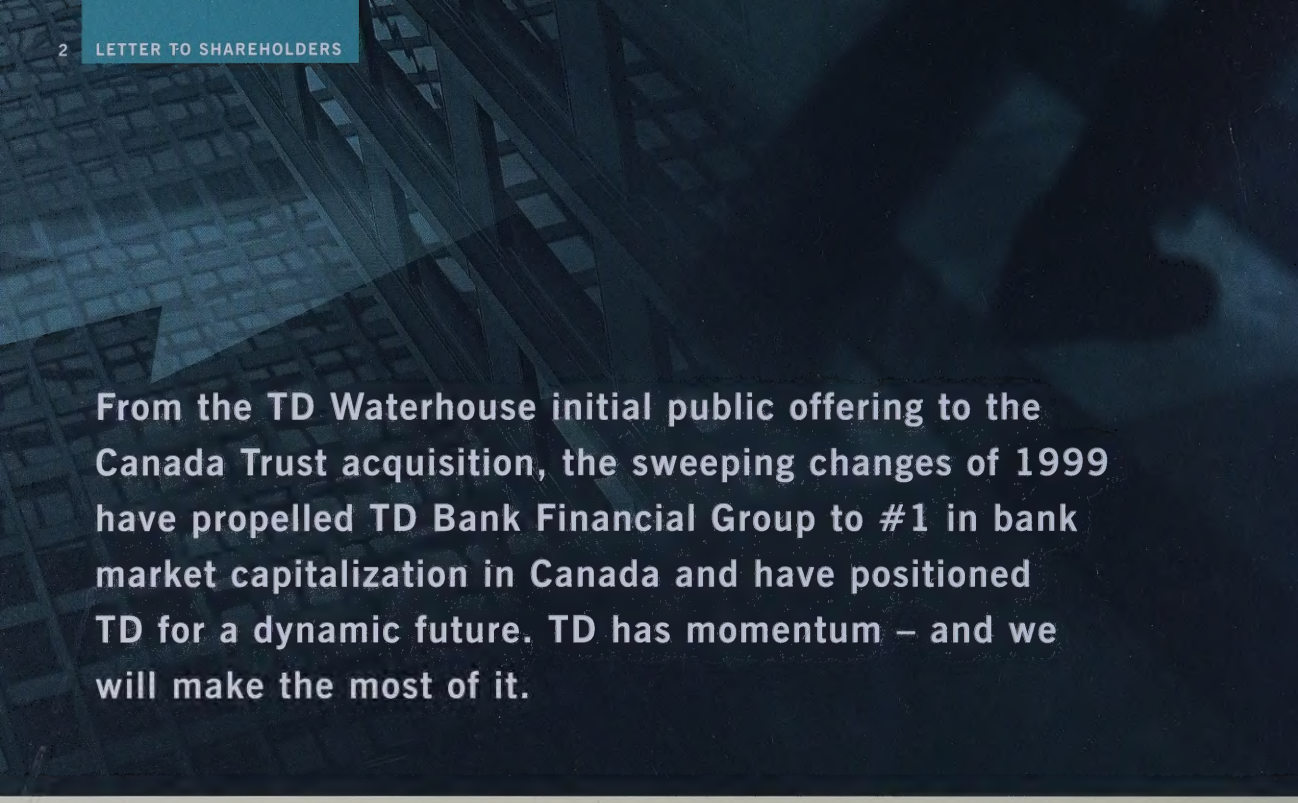
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From the TD Waterhouse initial public offering to the Canada Trust acquisition, the sweeping changes of 1999 have propelled TD Bank Financial Group to #1 in bank market capitalization in Canada and have positioned TD for a dynamic future. TD has momentum – and we will make the most of it.

Changing the dynamics of financial services

TD Bank Financial Group has capitalized on opportunities to build our businesses, to pursue our strategies for enhancing shareholder value and to invest in the future of financial services rather than in the past. We are moving forward with the integration of CT Financial Services Inc. – the largest transaction in Canadian banking history, and one that will propel us to the forefront in retail financial services. TD Waterhouse Group, Inc., just seven months after its initial public offering (IPO), is recording solid growth and expanding in key global markets. Our investment and corporate banking groups have integrated their operations and approach to clients and are gaining ground with higher-value transactions. We have also restructured our commercial banking activities to place greater focus on this core business and to improve customer service.

With new global giants leaping ahead and creating new levels of competition over a range of financial services, our goal has been to set a course through this changing landscape – positioning TD to generate profitable growth as a competitive, world-class financial institution.

Our businesses in both the retail and wholesale sectors have pursued individual strategies and delivered results. They have also made the adjustments required to remain contenders in our rapidly evolving world.

Last year in this report we noted that, while the government did not approve our planned merger with the Canadian Imperial Bank of Commerce, we were keenly focused on seeking out new opportunities to improve shareholder value. We also underlined our intention to achieve scope and scale in businesses where we had an opportunity to be competitive.

In 1999, we did what we set out to do – and in so doing, we changed the dynamics of the financial services sector in Canada.

DELIVERING SHAREHOLDER VALUE

In fiscal 1999, TD achieved record revenues, record net income, strong improvements in return on equity, major gains in market capitalization and significant additions to our capital base – all adding up to a considerable increase in shareholder value. These represent record results when measured both before and after special gains from the proceeds of the TD Waterhouse IPO and the sale of our stake in Knight/Trimark.

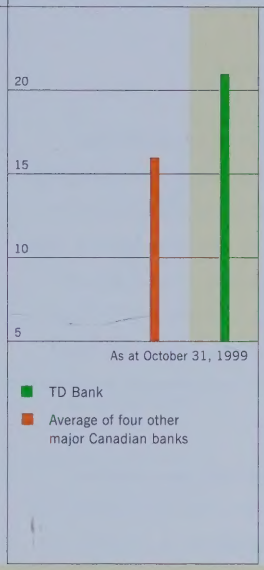
All our core businesses – retail banking, wealth management and TD Securities – grew strongly during the year, with outstanding gains in revenue and net income.

These businesses have demonstrated tremendous momentum in the growth areas of financial services and are well positioned for the future.

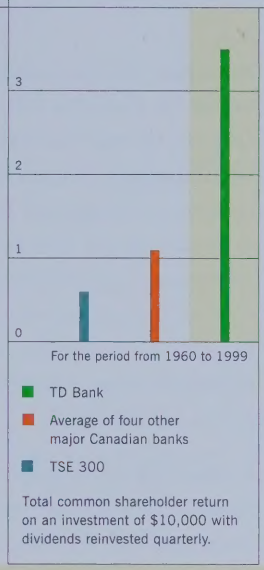
SHAREHOLDER VALUE

With its bold strategic initiatives, TD is delivering on its commitment to build long-term value for shareholders. The market price of TD's shares increased 47% from a year ago to close at $33.75 at fiscal year end. Total market capitalization reached $20.9 billion at October 31, 1999, up from $13.6 billion in 1998 and $15.3 billion in 1997. TD is now the largest Canadian bank as measured by market capitalization. Over the past five years TD's share price has more than tripled, well ahead of the performance of the TSE Banks and Trusts Index. Over the past 39 years, TD has also significantly outperformed its peer group.

Market capitalization
(billions of dollars)



Total shareholder return
(millions of dollars)



Source: Nesbitt Burns, *The World Series Among Big 5 Banks*, November 15, 1999.

We have supplemented TD's capital base with common share and preferred share equity issues in anticipation of the CT purchase which will temporarily reduce our capital ratios. However, these measures, among others, will allow us to achieve the regulatory Tier 1 capital ratio of 7% and total capital ratio of 10% by the close of the second fiscal quarter of 2000 (April 30).

LAUNCHING A GLOBAL CONTENDER WITH TD WATERHOUSE

With the creation of TD Waterhouse Group, Inc. ("TD Waterhouse") and its successful IPO in the third quarter, we made progress on several fronts:

- First, the successful IPO realized proceeds of $1.5 billion from the sale of 11.5% of the new company – providing substantial capital for investment in the growth of TD Waterhouse in North America and around the world.
- Second, we enhanced TD shareholder value by establishing the market value of a core asset.
- Third, we created an acquisition currency in the form of TD Waterhouse shares – shares which can now be used to fund further acquisitions in the discount brokerage business, while enhancing the value of TD shares.
- And finally, by combining our global discount brokerage operations – in the United States, Canada, the United Kingdom, Australia and Hong Kong – into one entity, we have created a global contender in online services, the fastest-growing segment of the financial services sector. TD Waterhouse is now the world's second-largest discount broker and is poised for further growth and expansion.

Since the IPO, TD Waterhouse has forged ahead – launching a $150 million global marketing campaign, becoming the first foreign discount broker to gain approval to trade in local securities on the Stock Exchange of Hong Kong, agreeing to acquire a second established discount broker in the U.K. which will double our share in that market, and announcing a joint venture in India to open a gateway to that rapidly growing market.

LEADING THE WAY IN ONLINE SERVICES

Our leadership in the online delivery of wealth management and banking products and services has made TD a leader in the development of e-commerce, and places us in the top six financial services firms in the world as measured by the number of online customer accounts. We are poised to be within the top three with the Canada Trust acquisition.

Reflecting our strategy of investing in the future of financial services, TD is entering 2000 as a leader in online delivery – in Canada, the United States and around the world.

MOVING TO THE FOREFRONT WITH TD CANADA TRUST

Last year, we discussed the need to reposition our retail banking business in the context of an increasingly competitive marketplace. By pursuing the opportunity to acquire Canada Trust in 1999, we have taken a quantum leap in retail banking in Canada – moving to the forefront by most key measures. Canada Trust is one of Canada's most successful and highly respected retail financial services organizations, renowned as a customer service powerhouse.

Canada Trust has long been regarded as a jewel in Canadian financial services, with close to 4 million customers, 440 branches, a workforce of 14,000 and $41 billion in personal deposits. TD's purchase price of $8.0 billion represents full and fair value for Canada Trust, while offering long-term value and growth potential to TD shareholders. With our retail operations combined as TD Canada Trust, we will vault to #1 among Canadian banks in number of retail customers, number of electronic banking customers and market share of personal loans and deposits. We will also lead the industry in both customer service and mutual fund advice. More importantly, we will have the scale and scope to remain a leader – developing new products, technologies, services and delivery channels. This will create a platform for future growth, not just as a Canadian leader but a North American one as well.

CREATING A POWERHOUSE IN INVESTMENT BANKING

We merged our wholesale businesses during the year to create a strong player in investment and corporate banking. Our highly focused approach has made us a global contender in financing vital growth industries such as media, telecommunications and energy, where we meet the complex needs of clients by providing a full range of integrated financing solutions. This focus has generated strong results. While TD Securities was #3 in wholesale banking revenues among Canadian banks at year end, it was #2 in profitability, contributing more than half of TD's net income before special gains in 1999. Approximately 65% of this income was generated outside Canada, primarily in the United States.

IMPROVING THE BUSINESS BALANCE

Our goal has been to enhance returns to shareholders by increasing the proportion of TD's capital employed in retail businesses from less than 50% of total capital to over 60%. As a result of both the TD Waterhouse IPO and the closing of the Canada Trust transaction on February 1, 2000, the retail proportion will exceed 60% of total capital.

PREPARING FOR CHANGE

TD's achievements in 1999 are due to the leadership of TD people throughout the organization. TD employees have risen to enormous challenges in developing new businesses, retraining and learning new jobs, and responding to sweeping changes at a very rapid pace.

Leadership is critical, and we are very proud that TD was recognized in 1999 as one of three major North American corporations to win the Catalyst Award for "exemplary initiatives to advance women into leadership", based on our Advancing Together program. It remains our goal to ensure that all TD people – including the exceptional workforce joining us with Canada Trust – have the opportunity to reach their full potential. Pursuing this goal is, without question, the key to the ongoing growth, leadership and success of TD Bank Financial Group.

MOVING FORWARD WITH MOMENTUM

Economic growth is especially robust in Canada and remains positive in our major markets around the world. This growth is good news for our customers and signals continued growth in demand for TD's products and services.

We therefore expect another year of positive financial results in our core businesses, each of which is proceeding with focused strategies for growth.

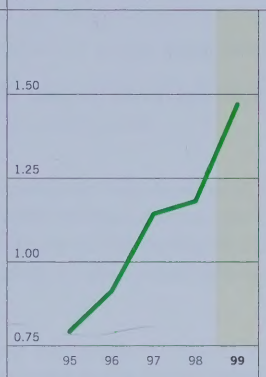
With the completion of the Canada Trust acquisition, our major challenge in the year ahead will be integration. Having worked closely with senior executives at Canada Trust, we have both a comprehensive integration plan and a strong joint management team. We will integrate administrative functions rapidly in order to achieve the

EARNINGS GROWTH

TD generated record earnings for the sixth consecutive year, with cash basis net income[1] of $1,472 million excluding special gains, an increase of 24% over last year. Cash basis earnings per share excluding special gains were $2.39 in 1999, up from $1.92 in 1998. Our record profitability has allowed us to increase common share dividends to $.72 per share for the year, up 9% from 1998 and 29% from 1997. For more details on TD's performance, see page 17.

[1] Cash basis measures are explained in table 3 on page 29.

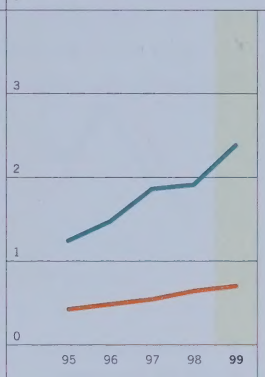
Net income (billions of dollars)



Cash basis net income, excluding special gains

During the year, TD earned $1,472 million excluding special gains, an increase of 24% from 1998 and 29% from 1997.

Earnings and dividends per share (dollars)



Cash basis earnings per share

Dividends per share

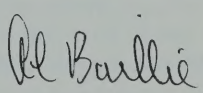
Cash basis earnings per share excluding special gains were up $.47 to $2.39 in 1999. Dividends per share rose to $.72 from $.66 a year ago.

expense savings to which we have committed. Customers will be a critical focus during integration and our key priority is to make the transition as seamless as possible to them. As an immediate step, we have begun to extend the hours of service at TD branches across Canada as part of our move toward the Canada Trust service model. We have also frozen service charges at their current levels and eliminated the inter-bank fee for ABM cash withdrawals.

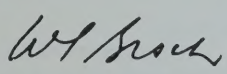
Having brought together two outstanding service organizations, our aim is to be recognized as the premier financial services enterprise in Canada.

This is a major challenge, but our focus is clear at TD: we believe in setting our goals high and achieving them. With the Year 2000 transition behind us, we are stepping up our systems and technology development to better meet the needs of our customers. We also plan continued expansion of TD Waterhouse around the world and the aggressive development of TD Waterhouse Bank as a platform for growth in the U.S. As well, our integrated investment banking group will continue to leverage its industry specialization approach as a leader in providing financial solutions for growth industries.

1999 was an extraordinary year. The momentum we generated continues to build as TD moves forward as one of the world's most dynamic financial institutions.



A. Charles Baillie
Chairman and
Chief Executive Officer



William T. Brock
Deputy Chairman

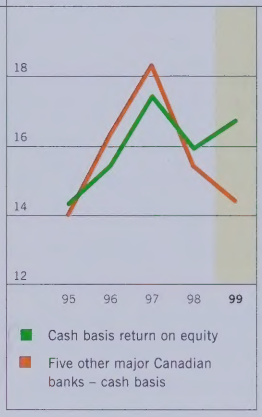
Toronto
January 31, 2000

Deputy Chairman William T. Brock, who cosigned this letter for the last two years, retired on January 31, 2000 after a career of over 36 years with TD. Bill Brock has been a driving force throughout his career, representing TD in the U.K., Hong Kong and Singapore before becoming head of International Banking in 1981, and serving in a key role in risk management since 1984. As Deputy Chairman since 1997, Bill has been instrumental in the transformation of TD into a bank of the future. In particular, he played a critical role in the successful completion of the Canada Trust transaction, having led the negotiations with British American Tobacco p.l.c. and guided discussions with regulators, including the Office of the Superintendent of Financial Institutions, the Competition Bureau and the Department of Finance.

Key performance measures and goals

Return on equity

(percent)



TD'S GOAL

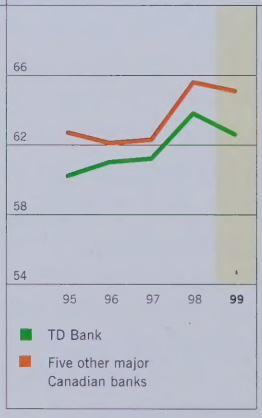
Cash basis return on equity[1] of 16% to 18%.

TD revised its goal during the year to a cash basis for measuring return on total common equity. Excluding special gains, cash basis return on equity was 16.7% in 1999 compared to 15.9% in 1998 and 17.4% in 1997.

[1] Cash basis return on equity is calculated by excluding goodwill and intangible amortization expense from the income statement. The cash basis net income is expressed as a percentage of total common equity.

Efficiency ratio

(percent)



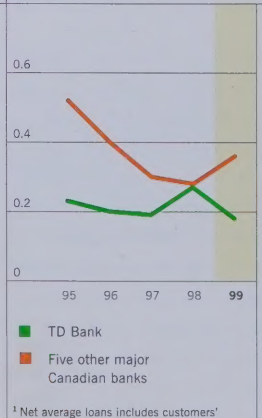
TD'S GOAL

Core efficiency ratio of 58%, excluding both goodwill and intangible amortization expense and one-time gains.

TD's core efficiency ratio target of 58% remains an aggressive goal, particularly in light of its investment in fee generating businesses such as wealth management with their inherently higher ratios. In 1999 the core efficiency ratio improved to 62.6% from 63.8% in 1998 but compared unfavourably to the level of 61.2% achieved in 1997.

Provision for credit losses

(as % of net average loans[1])



[1] Net average loans includes customers' liability under acceptances

TD'S GOAL

To average a .30% ratio over an entire credit cycle, excluding special charges.

The Bank increased its general allowances by recording special charges for general credit loss provisions of $100 million in 1999 and $200 million in each of 1998 and 1997. Excluding these special charges, the ratio was .18% in 1999 compared to .27% in 1998 and .19% in 1997.

RATINGS OF SENIOR DEBT

Moody's	Aa3
Standard & Poor's	AA–

The Bank's credit ratings from Moody's and Standard & Poor's remain strong. During 1999, Standard & Poor's revised TD's rating from AA to AA–.

Community Giving – focusing on children and youth

We built momentum in our community giving in 1999 – contributing to the future health and vitality of the communities where we operate by directing over 50% of our Community Giving to children and youth.

Learning Through the Arts™

Apprendre avec les arts™

TD and the Government of Canada co-sponsor this innovative program developed by the Royal Conservatory of Music, which links artists, classroom teachers and students in learning experiences that teach core curriculum in a hands-on way through the arts.

TD'S COMMUNITY GIVING IN 1999

TD increased charitable donations by 13.7% to $11.6 million in 1999, in line with our goal as an Imagine Caring Company of contributing 1%[1] of pre-tax domestic income.

Giving in the communities where we operate is important to TD, our customers and our employees. Our donations are focused primarily on children's health, welfare, safety and education. Student financial assistance is an area of particular focus. For this reason, a substantial portion of our giving has been designated to establish the TD Bank Financial Group Bursary at universities across the country.

United Way organizations across Canada are also major recipients of TD corporate donations as well as employee-initiated activities and contributions.

CMN Canada Children's Miracle Network

Hospitals Helping Kids

TD promotes the health of children as a major sponsor of the Children's Miracle Network, a network of hospitals serving over two million children across Canada. Since 1995 TD employees have raised over $2.5 million for Canadian CMN hospitals.

REGIONAL AND LOCAL SUPPORT

TD supports a broad range of local and regional programs devoted to children and youth – from a children's learning program at the Vancouver Aquarium to the Kinsmen Telemiracle in Saskatoon, the Starlight Children's Foundation in Québec and the Confederation Centre of the Arts in P.E.I.

TD EMPLOYEE GIVING

In addition to our corporate giving programs, TD employees contribute generously to their communities through their donations to TD's Caring and Sharing Hope Fund, which raised $1.5 million in 1999. At the same time, employees at all levels of TD are encouraged to contribute their time and talents through volunteer activities in our communities.

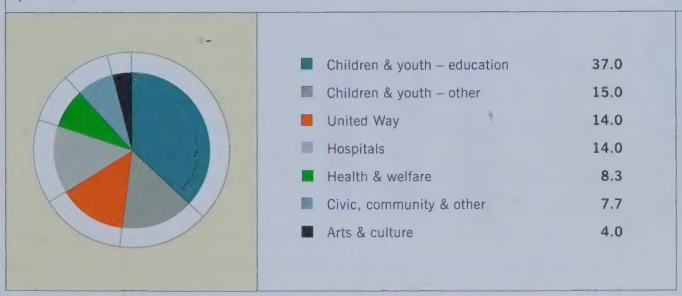
[1] Based on the average pre-tax profit of the three preceding years, excluding non-recurring items.

INVEST IN KIDS™

In 1999, TD Securities hosted its third consecutive Invest in Kids Day. Invest in Kids is a national foundation promoting healthy development of children below the age of five. Thanks to the generous participation of our institutional equities clients, TD Securities raised $720,000 for the foundation in 1999.

Community giving distribution

(percent)



Review of TD Bank Financial Group

This review covers the operations and activities of the individual businesses that combine to form the TD Bank Financial Group. Built around our retail and wholesale customer bases, these businesses were reorganized during the year to provide a more integrated delivery of financial services to our customers.

On the retail side, we transferred our key advisory businesses – including TD Evergreen, our full service brokerage, Private Banking and TD Trust – to our Personal and Commercial Banking segment to create TD Private Client Group. We also created TD Waterhouse Group, Inc., a new subsidiary comprised of our discount brokerage businesses in the United States and Canada, as well as discount brokerage operations in Australia, the United Kingdom and Hong Kong.

On the wholesale side, we combined our corporate and investment banking businesses under TD Securities to integrate further our advisory and banking services and provide even better financing solutions for our clients.

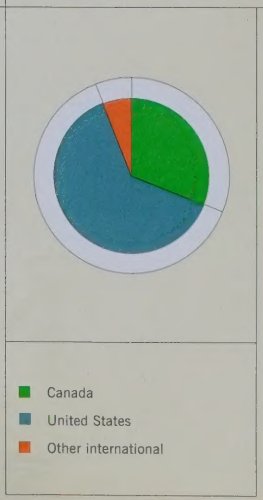
As a result of this reorganization, the Bank now comprises three distinct businesses focused on developing strategies and goals in line with our corporate priorities – and on delivering results.

CASH BASIS NET INCOME[1] BY MAJOR BUSINESS SEGMENTS

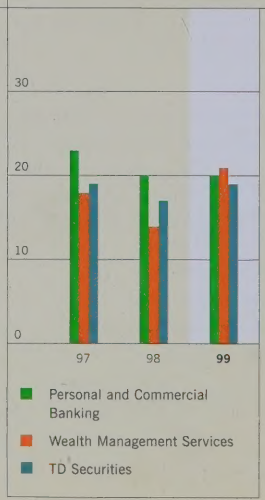
(millions of dollars)	1999	1998	1997
Retail			
Personal and Commercial Banking	**$ 498**	$ 458	$ 466
Wealth Management Services	**1,817**	177	142
Total retail	**2,315**	635	608
Wholesale			
TD Securities	**761**	677	666
Retail and wholesale	**3,076**	1,312	1,274
Other	**(51)**	(129)	(129)
Total	**$ 3,025**	$ 1,183	$ 1,145

Basis of presentation:
Results of each segment reflect revenues, expenses, assets and liabilities generated by the business in that segment. Transfer pricing of funds sold or purchased, and of commissions for services provided are generally at market rates. Residual unallocated amounts and special charges for general credit loss provisions are reported in Other.

Geographic contribution to cash basis net income (percent)

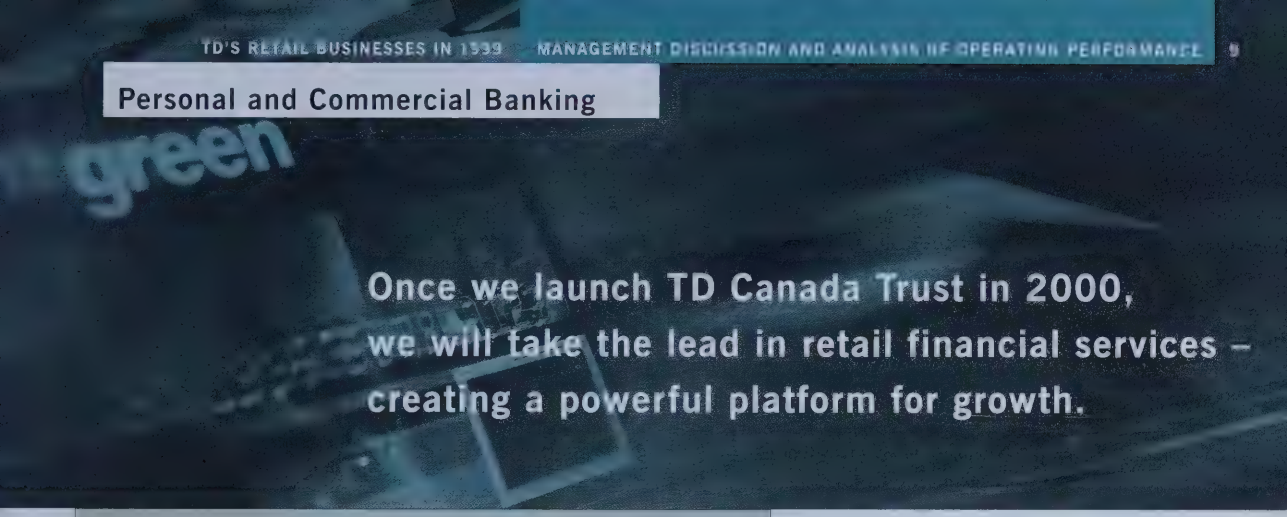


Cash basis return on equity[2] (percent)



[1] Cash basis measures are explained in table 3 on page 29.
[2] Special gains arising in 1999 from the sale of TD Waterhouse Group, Inc. and Knight/Trimark are excluded.

Personal and Commercial Banking



Once we launch TD Canada Trust in 2000, we will take the lead in retail financial services – creating a powerful platform for growth.

RETAIL BRANCH BANKING

- financial services to 5 million customers, small businesses and commercial clients
- 892 retail bank outlets in Canada, including 42 in-store branches

Our retail banking businesses grew strongly in 1999 as we continued to add value to our branches in the form of advice and service channels. We achieved market share gains in personal lending and deposit businesses while reaching record levels of revenue and net income. Among the highlights of the year:

- We expanded our well-received network of in-store branches across Canada, at leading retailers including Wal-Mart and Sobeys, to 42 by year end, increasing convenience by reaching our customers where they shop.
- To enhance the level of convenient financial advice for our customers, we expanded our group of qualified Financial Planners, Financial Advisors, and Financial Associates to 1,667 by year end. As well, we led the way in mutual fund advice and delivery – optimizing the choice available to customers – by piloting the sale of third-party mutual funds in branches in British Columbia and third-party GICs in branches in the Greater Toronto Area.
- We acquired Trimark Trust's eight-branch retail banking business – with $800 million in business volumes comprising a strong mortgage and deposit portfolio.
- In TD Main$treet Banking for small business, we centralized the credit approval process to provide faster turnaround for customers, and developed a focused sales force of 150 specialists in small business lending.
- In TD Commercial Banking, we saw growth in revenues and net income while increasing our focus on mid-sized business customers and launching a distinct Commercial Banking division. This business will continue to have a strong focus with its own mandate for growth.

ELECTRONIC BANKING

- electronic banking services through TD Access, with over 1.6 million customers registered for Telephone Banking, 240,000 customers registered for Web Banking, 1.8 million active debit card users and 2,164 Green Machine ABMs

We continued to develop convenient and low-cost electronic delivery channels, and generated exceptional growth in our Web Banking services in Canada and at TD Waterhouse Bank in the United States. Among the highlights of the year:

- Web Banking customers in Canada grew from 60,000 in 1998 to 240,000 by year end.
- We enhanced our Web Banking services in Canada with the introduction of the TD Access Web Genie, a personalized messaging service for customers – the first such service offered by a Canadian financial institution.
- We became the first and only Canadian bank to offer seamless cross-border Web Banking services through TD Waterhouse Bank – providing over 40,000 accounts to Canadian customers travelling or residing in the United States with a full range of electronic banking services.
- We announced strategic partnerships with @HomeCanada, Chapters Online and others.

Personal and Commercial Banking

TD VISA

- range of TD Visa products, with over 2 million accounts

Despite intense competition from giant monoline U.S. credit card issuers, we had a strong year in card services, with gains in the number of customers, loans outstanding and retail sales, and strong growth of the Wal-Mart TD Visa card, which was introduced at the end of 1998. As well, TD became the first Canadian bank to provide automated bill presentment online, through TD Access Web Banking, for The GM Card. We also completed the securitization of our proprietary card portfolio.

PRIVATE CLIENT GROUP

- TD Evergreen, TD's full service broker, with 67 offices, 174,000 accounts and $16.0 billion in assets under administration
- TD Trust, with 8 offices, over 9,500 accounts and $6.3 billion in assets under administration
- Private Banking, with 8 offices and over $1.2 billion in loans, as well as $1.1 billion in deposits and other investments

To enhance advisory services for our retail customers in Canada, we repositioned our retail advisory businesses (including our full service broker, TD Evergreen, along with private banking and trust services) within the retail bank. With this move, we are able to provide a more integrated and convenient delivery of the full range of financial services demanded by high net worth clients. During the year, TD Evergreen achieved solid growth in assets under administration, revenues and market share. TD Private Client Group expanded its network with the addition of 10 new offices for a total of 89 by year end, including six TD Private Client Group centres which combine TD Evergreen, TD Trust and Private Banking services in one location.

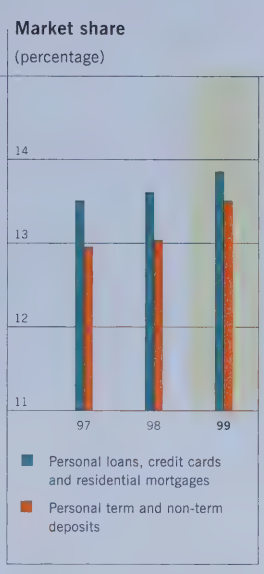
INSURANCE SERVICES

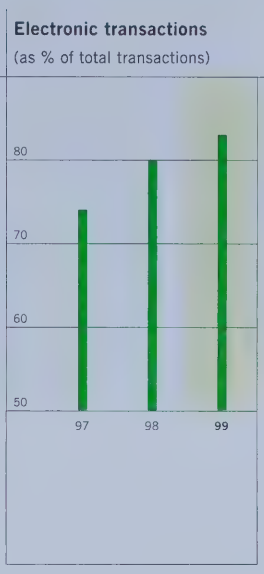
- creditor, individual life, small group benefits and travel insurance to over 650,000 customers

With increased web distribution and the sale of third-party products, we enhanced both choice and convenience for customers in 1999. We also achieved record revenues in insurance services in 1999, fuelled by strong growth in creditor insurance. Among the highlights:

- We are actively growing our direct insurance distribution channel through our call centre and web capability, and are making it easier for customers to buy insurance at lower costs.
- In conjunction with TD Asset Management Inc., Toronto Dominion Life Insurance introduced TD Guaranteed Investment Funds – a group of managed portfolios and funds which combine many of the benefits of insurance products with the growth opportunities and versatility of mutual funds.

Personal and Commercial Banking





FINANCIAL REVIEW

Total revenues grew by 2.5% reflecting growth in lending volumes, including securitizations, and growth in transactions, credit cards, insurance and brokerage services. Net income increased by 9% to $498 million, due to the growth in revenues and a decline of $55 million or 35% in the provision for credit losses. Expense growth was contained to 3% and the efficiency ratio deteriorated marginally to 70% from 69% in 1998. Return on equity remained at 20% in 1999.

PERSONAL AND COMMERCIAL BANKING

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	$ 2,088	$ 2,151	$ 2,105
Other income	1,118	978	864
Total revenue	3,206	3,129	2,969
Provision for credit losses	103	158	90
Non-interest expenses	2,231	2,163	2,052
Net income before taxes	872	808	827
Income taxes (TEB)	374	350	361
Net income – cash basis	$ 498	$ 458	$ 466
Non-cash goodwill/intangible charges	2	–	–
Net income – accrual basis	$ 496	$ 458	$ 466
Selected volumes and ratios			
Average loans and customers' liability under acceptances ($ billions)	$ 61	$ 58	$ 53
Average deposits ($ billions)	55	51	50
Full-time equivalent staff at October 31	15,360	15,800	16,180
Cash basis return on common equity[1]	20%	20%	23%
Efficiency ratio, excluding goodwill and intangible amortization expenses	70%	69%	69%

[1] Cash basis measures are explained in table 3 on page 29.

OUTLOOK

The outlook for economic growth in Canada is positive, but the marketplace remains highly competitive with the increasing presence of international credit card giants, small business lenders, deposit-taking institutions and mutual fund providers as well as our traditional domestic competitors. We believe our retail businesses will continue to make gains by building on their leadership in online delivery while continuing to boost value-added services. Most importantly, with the acquisition of Canada Trust in the year ahead, we will achieve significant growth through the integration of our businesses.

Wealth Management Services

With the IPO and continued growth of TD Waterhouse, we have become more than the second-largest discount broker in the world – we have become a leader in online financial services.

ONLINE BROKERAGE

- discount brokerage services through TD Waterhouse in Canada, the United States, Australia, Europe and Asia
- 212 branches, including 9 call centres, 3.1 million accounts and $168.6 billion in assets under administration

With the combination of TD's global discount brokerage operations to create TD Waterhouse Group, Inc., and its IPO, we moved quickly to build on our position by maintaining rapid growth:

- Active accounts grew to 2.2 million by year end as total accounts climbed to 3.1 million and trading volumes reached an average of 107,000 transactions per day in the past year.
- In Canada, TD Waterhouse was ranked as the #1 discount broker in the country by *Canadian Business* magazine – in the United States, TD Waterhouse was rated #2 overall in *The Wall Street Journal*'s *SmartMoney* magazine annual survey of discount brokers, and we were named Favourite Discount Brokerage Firm in *Mutual Fund Magazine*'s "Readers' Choice".
- TD Waterhouse became the first foreign online broker approved to trade local securities on the Stock Exchange of Hong Kong, and we established an office in Japan to pursue growth opportunities in Asia's largest economy.
- TD Waterhouse agreed to form a joint venture with Tata Finance Securities Limited, a subsidiary of one of India's leading industrial and financial conglomerates, to explore online brokerage opportunities in that rapidly growing market, and in the UK, agreed to acquire YorkSHARE Limited, a discount broker with 120,000 customer accounts, in a transaction expected to double our market share there.
- TD Waterhouse launched a $150 million global branding and marketing campaign in the fourth quarter.
- We signed a letter of intent to become a member of the REDIBook ECN (electronic communications network) consortium, which includes some of the largest discount brokers and investment managers in the United States. With this move, we expect to be able to provide our customers with access to after-hours trading.
- Through TD Waterhouse Bank, we were the first online broker to offer integrated trading and banking services.

MUTUAL FUNDS AND INVESTMENT MANAGEMENT

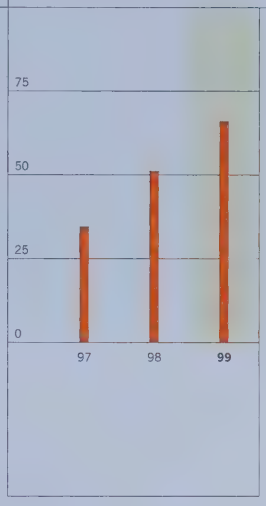
- The Green Line Family of No Load Mutual Funds, ninth largest retail mutual fund company in Canada, with $16.7 billion in assets under management in 43 funds
- TD Investment Management, serving pension funds, other institutional and private clients and TD's mutual funds with $50.1 billion in assets under management

We gained share in the highly competitive mutual fund market in 1999 and reached a record $16.7 billion in assets under management, while meeting investor needs with a range of initiatives:

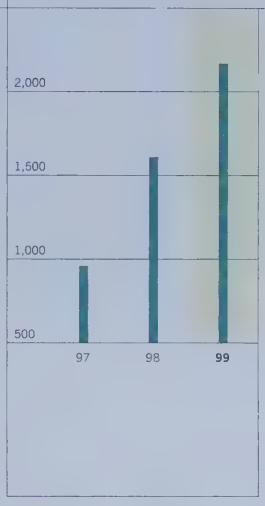
- TD Asset Management Inc. broadened the investment options for customers with the introduction of TD FutureLink Registered Education Savings Plans, TD Guaranteed Investment Funds (in partnership with Toronto Dominion Life Insurance Company) and the Green Line Managed Assets Program – an innovative mutual fund and portfolio management service.
- We established a new group of eight U.S.-dollar-denominated Green Line Mutual Funds, previously available only in Canadian dollars – providing Canadian investors with new currency diversification options.
- TD Quantitative Capital – Canada's largest index manager – continued its growth in 1999 as assets under management climbed to $26.5 billion. Significantly, the Canadian Pension Plan Investment Board awarded us its domestic equity mandate.

Wealth Management Services

Electronic trades
(as % of total trades)



Number of active accounts
(thousands)



FINANCIAL REVIEW

With explosive growth in discount brokerage trading volumes, total revenues – excluding the special gains from the TD Waterhouse IPO and the sale of shares of Knight/Trimark – grew by 51% to more than $1.6 billion in 1999. Assets under administration increased by 64% to $212 billion, primarily due to the growth of TD Waterhouse. Net income grew to $265 million, excluding special gains. Cash basis return on common equity, excluding special gains, was 21%, compared to 14% the previous year.

WEALTH MANAGEMENT SERVICES

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	$ 316	$ 207	$ 127
Other income	3,180	888	643
Total revenue	3,496	1,095	770
Provision for credit losses	–	–	3
Non-interest expenses	1,191	787	515
Net income before taxes	2,305	308	252
Income taxes (TEB)	483	131	110
Non-controlling interest	5	–	–
Net income – cash basis	**$ 1,817**	$ 177	$ 142
Non-cash goodwill/intangible charges	42	62	57
Net income – accrual basis	**$ 1,775**	$ 115	$ 85
Selected volumes and ratios			
Assets under administration at October 31 ($ billions)			
Retail brokerage	$ 152	$ 82	$ 48
Mutual funds	28	20	17
Institutional and other	32	27	24
Full-time equivalent staff at October 31	6,930	5,096	3,803
Cash basis return on common equity[1,2]	21%	14%	18%
Efficiency ratio, excluding goodwill and intangible amortization expenses[2]	72%	72%	67%

[1] Cash basis measures are explained in table 3 on page 29.
[2] Excludes special gains in 1999 arising from the sale of TD Waterhouse Group, Inc. and Knight/Trimark.

OUTLOOK

With positive economic growth forecast for our major markets – combined with the demographic trends that continue to boost demand for wealth management and the continued shift by consumers to e-commerce – we anticipate another year of strong growth for our wealth management businesses. TD Waterhouse is pursuing aggressive growth strategies and will continue to seek opportunities for global expansion and leadership in online services, while TD Asset Management will enter new markets by launching new TD Waterhouse funds in the U.S.

TD Securities



Our highly specialized and fully integrated investment banking and corporate banking businesses are leading the way in financing the growth industries of the 21st century.

INVESTMENT BANKING

- capital market advice and transaction execution for debt, equities and mergers and acquisitions
- corporate banking and syndication
- merchant banking
- market presence in Toronto, Montreal, Calgary, Vancouver, New York, Chicago, Houston, Mexico City, Santiago, London, Dublin, Tokyo, Taipei, Sydney, Melbourne and Mumbai

Although we have pursued an integrated corporate lending and investment banking strategy since TD Securities was formed, the two areas were separately managed. During the year, we fully integrated the groups under one management team – enabling us to design some of the best combined corporate and investment banking transactions, manage our capital more effectively and provide a full range of leveraged financing transactions to our clients. This move also enables us to leverage the high level of industry specialization developed in each group – combining our strengths in key growth industries such as media, technology, telecommunications, government and infrastructure, financial institutions, utilities and energy – in our primary markets of Canada, the United States, Europe, Asia, Australia and Latin America. We have already seen the benefits, which contributed to considerable growth in these businesses during the year. Among the highlights:

- *Euromoney Magazine* singled out TD Securities as the Best Securities Dealer in Canada for the second year in a row, citing our leadership in domestic corporate bond underwriting, eurobonds, media and telecom financing, high yield debt and government infrastructure financing.
- *International Financing Review* named TD Loan House of the Year for U.S. media and telecommunications lending, noting TD's leadership in providing clients with informed and innovative financial solutions.
- We continued to build on our position as an international leader in loan syndications.
- Among our major achievements, we provided integrated financings and advice for three significant North American media and telecommunications clients – GlobeNet, Rural Cellular and CTV.

TD Securities

EQUITIES

- sales, trading, research, underwriting and distribution through offices in Toronto, Montreal, New York and London

During the year, we continued to build market share and again earned top rankings for our research, sales and trading capabilities. In addition:

- While new issue volume was down in Canada, we led or co-led 20 equity issues for a total of $3.5 billion, including the TD Bank common equity issue of $700 million to support the Canada Trust transaction, as well as the $1.5 billion TD Waterhouse initial public offering, which at the time of issue was the largest internet-related IPO in the history of the New York Stock Exchange.
- Trading volumes improved with the market recovery during the year, resulting in substantial growth in trading revenues.

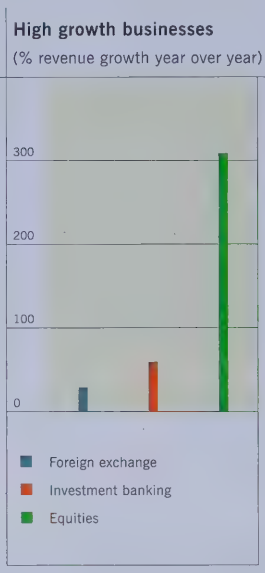
DEBT CAPITAL MARKETS AND FOREIGN EXCHANGE

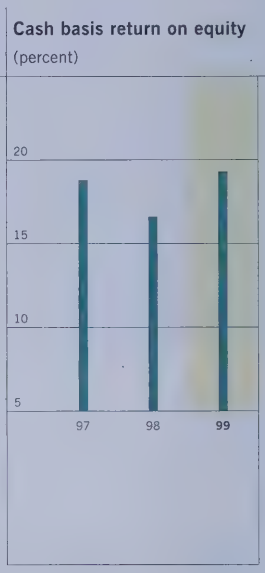
- fixed income, interest rate and credit derivatives, money market, high yield and funding in Canada, New York, London, Hong Kong, Tokyo, Taipei, Singapore and Sydney
- foreign exchange trading and marketing provided through offices in Canada, New York, London, Tokyo, Taipei, Sydney and Melbourne

In a generally strong debt new issue and trading market, we achieved exceptional growth in our fixed income, foreign exchange, derivatives and high yield businesses. Our capital markets businesses – particularly high yield and derivatives – have benefited from our integrated approach and our industry specialization, providing us with a significant competitive advantage. Among the highlights:

- *International Financing Review* singled out TD Securities for Deal of the Year in the Canadian, Australian and New Zealand dollar categories.
- We maintained our top ranking among Canadian underwriters in Europe and corporate debt underwriters in Canada.
- We have approximately 25% market share in the primary market issuance of commercial paper.

TD Securities





FINANCIAL REVIEW

TD Securities had a record year in 1999, reflecting steady improvements in financial markets since the weak fourth quarter of 1998 as well as the group's integration and increased focus on management of costs and capital. Total revenues were up by 17% to $2.3 billion excluding special securities gains. Net income climbed by 31% over 1998 excluding these gains, due to revenue growth as well as improving margins, strong fee income and a lower provision for credit losses. The efficiency ratio improved to 43% from 44%, due to better management of expenditures. Return on equity improved to 19% from 17% the previous year.

TD SECURITIES

(millions of dollars)	1999	1998	1997
Net interest income (TEB)	$ 820	$ 1,029	$ 872
Other income	1,614	1,216	1,041
Total revenue	2,434	2,245	1,913
Provision for credit losses	76	92	67
Non-interest expenses	1,035	981	726
Net income before taxes	1,323	1,172	1,120
Income taxes (TEB)	562	495	454
Net income – cash basis	$ 761	$ 677	$ 666
Non-cash goodwill/intangible charges	–	–	–
Net income – accrual basis	$ 761	$ 677	$ 666
Selected volumes and ratios			
Average loans and customers' liability under acceptances ($ billions)	$ 30	$ 29	$ 26
Full-time equivalent staff at October 31	2,302	2,376	2,254
Cash basis return on common equity[1]	19%	17%	19%
Efficiency ratio, excluding goodwill and intangible amortization expenses	43%	44%	38%

[1] Cash basis measures are explained in table 3 on page 29.

OUTLOOK

We expect continued strength in financial markets in the year ahead, with Asian markets continuing strong recoveries and with recent improvements in commodity prices. We anticipate growth in a number of key industries we serve – including media, telecom, energy and infrastructure – which are key growth industries of the 21st century. Through our industry specialization and integrated approach, we aim to build on our already strong positions with these industries. We also plan to maintain our focus on managing capital and costs to maximize shareholder value. In this environment, we expect to make further gains in revenues, income and return on capital.

Group performance

NET INCOME

In 1999, TD's cash basis net income more than doubled to $3,025 million primarily attributable to the sale of 11.5% of TD Waterhouse Group, Inc., which gave rise to a non-taxable gain of $1,122 million, and to a special after-tax gain of $431 million in the fourth quarter of 1999 on the sale of Knight/Trimark shares. Cash basis net income excludes non-cash charges relating to goodwill and intangible asset amortization.

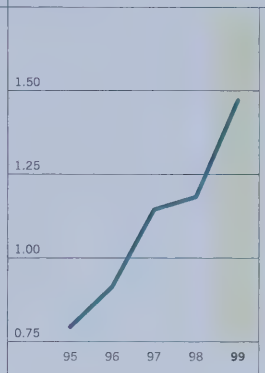
Excluding special gains, cash net income in 1999 increased by $289 million to $1,472 million, an increase of 24% from 1998. This year's growth arose from:

- an $895 million increase in other income, reflecting strong performance during the year by our wealth management and corporate and investment banking businesses;
- a $175 million decrease in the provision for credit losses as a result of the strong credit quality of TD's loan portfolio and a reduced level of additions to general allowances; and
- a $33 million increase in net interest income (TEB).

These increases were offset by:

- a $620 million increase in non-interest expenses;
- a $189 million increase in the provision for income taxes (TEB) due to higher earnings; and
- a non-controlling interest in the net income of a subsidiary of $5 million, as a result of the sale of 11.5% of TD Waterhouse Group, Inc.

Net income
(billions of dollars)



See table 1 on page 28 for detail.

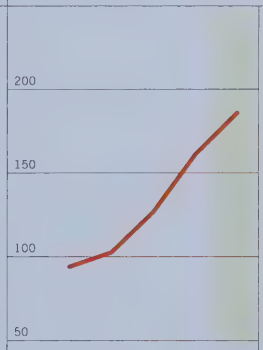
NET INTEREST INCOME (TEB)

Net interest income is comprised of the interest and dividend revenue the Bank earns on its loans and securities, calculated on a taxable equivalent basis (TEB), less the interest expense incurred on deposits and other liabilities. In 1999, net interest income (TEB) increased $33 million or 1% from 1998.

Average earning assets

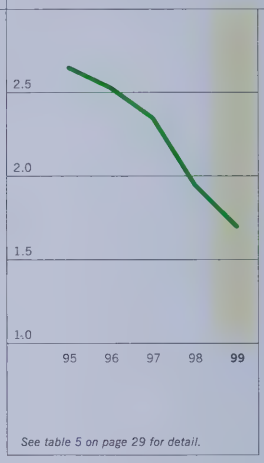
Average earning assets reached $186 billion during 1999, up by $25 billion or 15% from 1998. The increase in average earning assets reflects the strong growth in trading securities, which support TD Securities' business. Average trading securities grew by $19 billion during the year, accounting for 11% of the 15% growth noted above. Although these assets have a much lower margin than loan products, they contribute to net income and have minimal credit risk, making them less capital intensive.

Average earning assets
(billions of dollars)



See table 6 on page 30 for detail.

Net interest rate margin
(percent)



See table 5 on page 29 for detail.

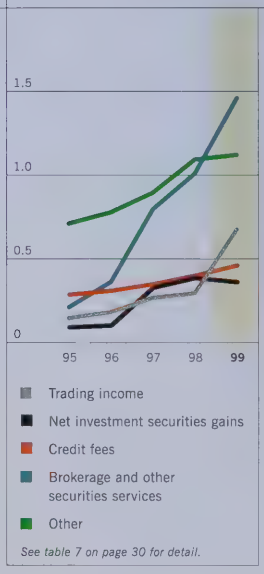
Net interest rate margin

The net interest rate margin earned by the Bank is calculated as net interest income (TEB) expressed as a percentage of the average earning assets. The trend toward lower net interest rate margins of past years is again evident in 1999, with TD's net interest rate margin declining 25 basis points to 1.70%. The main factor behind the decline continues to be the previously noted change in the Bank's earning assets mix to lower margin trading securities.

Also contributing to the change in the Bank's earnings mix to lower margin wholesale assets is the ongoing securitization of retail loans such as residential mortgages and credit card receivables. During 1999, the Bank securitized $3.7 billion of residential mortgages and $325 million of credit card receivables. These securitizations reduce net interest income and increase securitization revenues recorded in other income.

OTHER INCOME

Other income
(billions of dollars)



See table 7 on page 30 for detail.

Other income reported in 1999 is comprised of all revenue other than net interest income, after excluding a special pre-tax gain of $717 million on the sale of our holdings of Knight/Trimark in the fourth quarter of 1999. Excluding this special gain, other income increased $895 million or 28% over 1998.

Our strong growth in other income continues to be driven by our wealth management businesses and TD Securities:

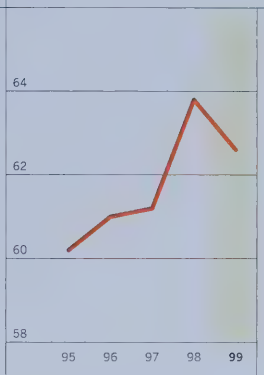
- brokerage and other securities services income including fees and commissions increased $450 million or 44% over last year;
- stronger capital markets throughout the year as compared to the previous year resulted in trading income rising $381 million or 128% over 1998 to $679 million; and
- mutual fund management fees (included in "other" in chart) increased by $54 million to $258 million in 1999, an increase of 26%. The growth in mutual fund revenues reflects a 17% growth in mutual fund assets under administration to $17 billion in Canada and an 84% growth to $11 billion in the United States.

EFFICIENCY RATIO

This ratio measures non-interest expenses as a percentage of revenue (TEB): the lower the percentage, the greater the efficiency.

Excluding non-cash charges relating to goodwill and intangible assets, and one-time gains, the efficiency ratio improved to 62.6% compared with 63.8% in 1998. Although improved in 1999, the Bank's efficiency ratio has generally increased in recent years, which is consistent with a higher contribution by our wealth management businesses to our overall revenues. While these newer businesses have negligible credit risk and a higher return on equity on a cash basis than traditional intermediation businesses, their expense to revenue ratios are also higher.

Efficiency ratio
(percent)



Efficiency ratio, excluding non-cash charges and one-time gains

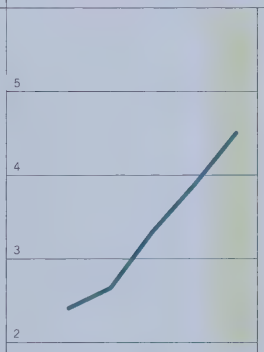
See table 9 on page 31 for detail.

NON-INTEREST EXPENSES

Non-interest expenses increased by $620 million or 16% in 1999, after excluding non-cash charges related to goodwill and intangible asset amortization. Most of the expense growth was attributable to spending on strategic initiatives, in particular our continuing investment in TD Waterhouse.

- Salaries and staff benefits increased $316 million, accounting for 8% of the 16% expense growth noted above. Approximately 45% of this increase related to TD Waterhouse, reflecting an almost 40% increase in the average number of full-time employees to support higher business activity.
- Spending on occupancy and equipment, which accounted for 2% of the 16% increase in expenses, was also largely attributable to expenditures by TD Waterhouse.
- Brokerage-related fees were also higher as a result of increased trading volumes, accounting for a further 2% of the increase.

Non-interest expenses
(billions of dollars)



See table 9 on page 31 for detail.

TAXES

As in past years, banks continue to be one of the most heavily taxed business sectors in Canada. Federal and provincial capital taxes are the primary reason banks shoulder a disproportionate amount of taxes compared to their earnings. These taxes represent a significant fixed cost which jeopardizes our competitive position and increases the costs of banking for customers in Canada.

While many other corporations in Canada pay capital taxes, banks are taxed at rates which are higher, on average, than those for other industries. In addition, the tax is paid on a large capital base which we are required to maintain by our regulator. Unlike other businesses, banks do not have the flexibility of structuring their capital to optimize returns to investors and yet they are penalized with higher capital taxes.

TD's 1999 capital tax expense reduced cash basis earnings by $69 million.

The federal government has recently given some degree of recognition to the excessive tax burden which is borne by banks. In its report on *Reforming Canada's Financial Services Sector*, the government has indicated its willingness to review capital taxes imposed on the financial services sector. Addressing the issue of taxation, the report states:

"The federal government will raise with the provinces the effects of capital taxation on the financial services sector. As part of these discussions, the federal government is committing to a review of its own capital taxes."

TD believes capital taxes should be phased out for all corporations as the fiscal environment improves. These are regressive taxes which impair the ability of Canadian businesses to compete effectively in the global marketplace. At the very least, those industry sectors which shoulder an excessive tax burden should be afforded the opportunity to compete on a level playing field. Canada is one of the few countries which imposes a tax on the capital of financial institutions, placing us at a substantial disadvantage to our foreign competitors. As a first step to rectifying this situation, we urge the federal government to allow the "temporary" capital tax surtax to expire.

Table 10 on page 32 details the various taxes paid by the Bank over the past five years.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements, including statements regarding the business and anticipated financial performance of TD. These statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from those contemplated by the forward-looking statements. Some of the factors that could cause such differences include legislative or regulatory developments, competition, technological change, global capital market activity, changes in government monetary and economic policies, changes in prevailing interest rates, inflation levels and general economic conditions in geographic areas where TD operates. These differences between the forward-looking statements and actual results could also be caused by risks relating to the acquisition of CT Financial Services Inc., which are described in TD's Report on Form 6-K, filed with the U.S. Securities and Exchange Commission on August 3, 1999 and TD's Material Change Report, filed with the Ontario Securities Commission on August 3, 1999.

Risk management

OVERVIEW

Risk management is the recognition and ongoing assessment of the material risks that could adversely affect the achievement of the Bank's goals. TD strives to be the best risk manager among major Canadian banks. Meeting this objective requires a well-established infrastructure to manage the risks to which TD is exposed. A fundamental principle is the involvement of qualified risk management professionals acting independently from the business units to establish a policy framework and define TD's risk limits.

Policies and strategies for managing each of the major financial risks are approved by Group Risk Management and reviewed at least annually by the Bank's Risk Policy Committee, comprised of senior executives of TD. In addition the Audit and Risk Management Committee of the Board of Directors approves all such policies.

CREDIT RISK

Credit risk is the risk of financial loss as a result of a counterparty's failure to meet its obligation. Direct loans, commitments to extend credit, settlement exposures, derivative transactions and securities inventories are all subject to credit risk.

TD mitigates risk on all of its portfolios through a risk rating system, lending limits and its lending practices. On derivatives traded over the counter, TD uses master netting agreements or collateral wherever possible.

TD's key objective in managing credit risk is to ensure the average of actual annual losses on credit exposures of all types is limited to .30% of net average loans and customers' liability under acceptances.

Group Risk Management establishes policies and procedures for the management of credit risk and is responsible for:

- guidelines to limit portfolio concentrations of credit exposure in relation to common equity by country, industry and affiliated group;
- approval of discretionary limits to approve credit lines accorded to officers throughout TD;
- central control of all major credit decisions;
- formulation of standards for the measurement of credit exposure;
- approval of the application of scoring techniques in the adjudication of personal credit;
- approval of all policies pertaining to all products and services which have credit risk;
- establishing risk rating criteria for business accounts based on a 13-category rating system;
- an obligatory annual review of each loan being conducted under the direction of TD's senior risk management personnel, including a review of the risk rating on the account; and
- review of each classified business credit exposure at least quarterly. Classified credit exposures are those on which the risk of loss to TD is considered higher than its normal standards. When in management's opinion TD no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest of a loan, such a loan is classified as impaired. Specific provisions are established for impaired loans when it is felt that a loss will be incurred or when the estimated value based on discounting expected future cash flows is less than the recorded value. More details on impaired loans are provided in table 13 on page 34 and Note 1, subsections (f) and (g), and Note 3 of the Notes to consolidated financial statements.

General allowances are established to reflect the risk of credit loss in the portfolio that has not yet been specifically identified. In 1999, TD continued to increase general allowances in response to regulatory guidance which requires higher levels of general allowances within the banking industry, and to take advantage of Tier 2 regulatory treatment of general allowances representing up to .75% of risk-weighted assets. During the first quarter of 1999, TD realized unusually large gains on the sale of investment securities and utilized $100 million of these gains to increase its general provision for credit losses.

TD had a general allowance of $712 million for loan losses as at October 31, 1999, up from $620 million at the end of 1998. In addition, a reserve for certain derivative financial instruments and loan underwriting commitments of $41 million resulted in TD's cumulative general allowance reaching a balance of $753 million at October 31, 1999. This level of general allowance represented .69% of TD's risk-weighted assets.

A Risk Adjusted Return on Capital model is employed to assess the return on individual credit relationships in relation to the structure and maturity of the loan and creditworthiness of the borrower.

PROVISION FOR CREDIT LOSSES

The quality of TD's loan portfolio remained strong in 1999. Excluding the $100 million special increase in general allowances for credit losses, our provision for credit losses was $175 million. The 1999 provision was lower than the $250 million reported a year earlier on a comparable basis. This provision represents .18% of average loans and customers' liability under acceptances – the fifth consecutive year in which losses were less than our .30% target for losses over a complete business cycle (for more details on TD's provision for credit losses, see table 15 on page 35).

Another key measure for the Bank is the level of net impaired loans (NIL). NIL is the gross amount of impaired loans less the allowances for credit losses. For the third year in a row, allowances continued to exceed impaired loans resulting in excess allowances of $(257) million in 1999 compared to the 1998 level of $(259) million (see table 13 on page 34).

MARKET RISK

Through its trading businesses, TD enters into transactions which expose it to market risk, which can be defined as the risk of loss resulting from changes in the values of financial instruments. Market risk includes exposure to interest rates, foreign exchange rates, and equity and commodity prices.

The market risk management function within Group Risk Management is responsible for the measurement and monitoring of market risk as well as the communication and enforcement of risk limits throughout all of TD's trading businesses.

Group Risk Management establishes policies and procedures for the management of all market risks. In addition, a Market Risk Committee has been established to provide a peer review of the market risks inherent in TD's trading businesses. This committee is co-chaired by the Chairman and CEO, TD Securities, and the Senior Vice President, Market Risk Policy, and includes members of senior management of TD Securities, Corporate Audit, and Group Risk Management.

Based on the rapid changes occurring in TD's businesses, the market risk management process has matured into a strategic part of the business planning process. TD will commence new trading operations and expand existing trading businesses only if the infrastructure is in place to monitor, control and manage the market risk.

TD's trading revenue is generated through four principal activities:

Market-making: Serving the needs of clients by making markets in a large number of traded products. TD profits from the spread between bid and ask prices. Market-making profitability is driven by trading volumes.

Sales: Providing financial products in response to client needs. Earnings are generated from price mark-ups or commissions. Similar to market-making, this activity's profitability is driven by volume.

Arbitrage: Taking positions in certain markets and offsetting that risk in other related markets. TD profits through knowledge of various markets and the interrelationship of those markets which allows it to exploit pricing anomalies.

Positioning: Taking directional positions in financial markets in anticipation of changes in those markets. This strategy is the riskiest of the four core activities and is employed selectively to enhance earnings.

Market risk positions are managed within established limits by each trading desk accountable to its business head. Group Risk Management, which is independent from the trading functions, oversees the measurement and reporting of market risk. It also develops all policies related to market risk and participates in the development of all valuation policies. Group Risk Management's responsibilities include:

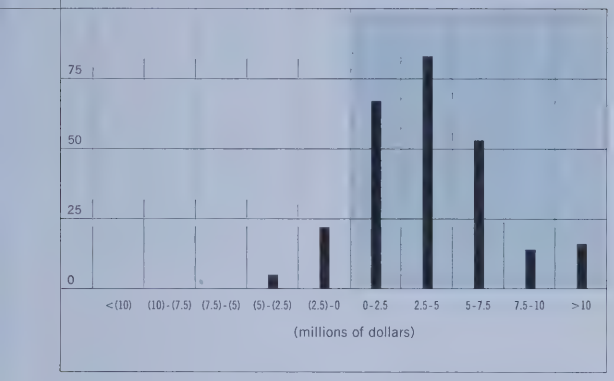
- design and implementation of methodologies to measure market risks and monitor exposure versus established limits;
- approval of new or additional trading limits;
- tracking and approval of any significant excesses over trading limits;
- approval of all new trading products;
- independent testing of all trading models and systems;
- determining the sources of all volatilities and correlations of market rates/prices used in the estimation of market risk; and
- stress testing the portfolio to determine the effect of large unusual market movements.

All major market risk policies and procedures are reviewed and approved annually by the Audit and Risk Management Committee of the Board of Directors.

Trading limits are consistent with both the approved business plan for a particular business and TD's tolerance for the market risk associated with that business. The type of limit structure adopted depends on the individual business. The criteria for establishing market risk limits include market volatility, market liquidity, trader experience and business strategy. The market risk limits for TD's various businesses include Value at Risk (VAR), notional limits, spread limits, yield curve shift limits, loss exposure limits, stop loss limits, and stress test limits. To estimate VAR, a distribution of potential changes in the market value of the current portfolio is created by valuing the portfolio using the most recent 259 trading days of market price and rate changes. The VAR is then calculated so that potential portfolio losses are expected to be less than the VAR amount for 99 out of every 100 trading days. The Bank believes that the use of non-statistical measures and stop loss limits reduces the likelihood that trading losses will reach VAR limits.

If during the course of a trading day a trading desk determines that a limit will be breached, the trader is required to obtain pre-approval to carry the position. At the end of each day, reports reflecting TD's trading exposures are reviewed by Group Risk Management and compared with the appropriate limits. If an excess has occurred, the trading desk will be required to bring its position within limits immediately, unless an exception is granted. There is an approved escalation process designed to ensure that all significant deviations from existing limits are approved by Group Risk Management.

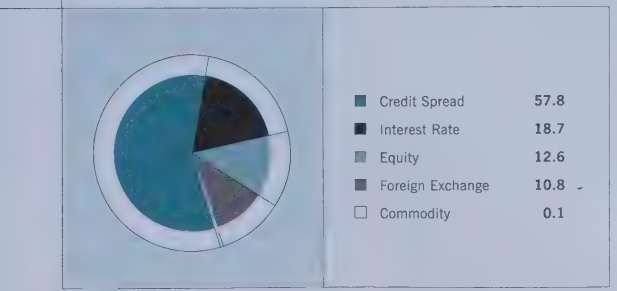
Distribution of daily net trading-related revenues
(number of days)



The graph above presents the frequency distribution of net trading revenue associated with the trading businesses of the Bank for fiscal 1999. Daily net trading revenues in 1999 were positive on 89.6% of the trading days in the year, while losses exceeding $2.5 million represented only 1.9% of the days. On no occasion did trading losses exceed the Bank's statistically predicted VAR for the total trading-related businesses.

TD Bank's trading business is also subject to stress test limits at a global business line level, as well as an overall global stress test limit. The objective of stress testing is to quantify the largest quarterly loss the Bank is prepared to risk in its trading activities and limit market risk accordingly. Stress testing simulates the likely behaviour of TD's trading portfolio's profits and losses in response to adverse market scenarios, which are designed to model extreme economic events, replicate worst case historical experiences, or introduce large but plausible moves in key market risk factors. Stress tests are produced and reviewed on a weekly basis with the Executive Vice President for Group Risk Management, and are reviewed with the Market Risk Committee every two weeks as well as quarterly with the Audit and Risk Management Committee of the Board of Directors.

Market risk attribution as of October 31, 1999
(percent)



The above graph is an attribution of the Bank's general market risk to different risk categories as of October 31, 1999, based on stress testing. The dominant risk in TD Bank's trading businesses is credit spread risk, primarily from high yield, and eurobond inventories. There is also significant risk to interest rate movements, equity prices and foreign exchange rates.

ASSET LIABILITY MANAGEMENT

When meeting the banking needs of clients, TD enters into transactions which expose it to market risk. TD's objective is to achieve stable earnings growth and to reduce the risk to earnings through active management of its asset and liability positions.

The Asset Liability Management (ALM) area within Group Finance measures and manages these banking business market risks. The Asset Liability Committee (ALCO) oversees the management of liquidity and interest rate risk and directs ALM in its activity. The ALCO is chaired by the Chairman and Chief Executive Officer, and includes senior executives.

Interest rate risk

Interest rate risk is measured by the extent to which changes in market interest rates impact margins, net interest income and the economic value of TD's assets, liabilities and shareholders' equity. To the extent that assets reprice differently from liabilities, net interest income will increase or decrease as a result of movements in underlying market interest rates.

ALCO manages interest rate risk through actively managing the repricing characteristics of the asset and liability positions. These positions are managed within limits that are specified in TD's interest rate risk management policies. These policies limit the potential negative impact that adverse changes in interest rates can have on current earnings and on the value of TD's interest sensitive assets and liabilities. The policies for interest rate risk management are reviewed and approved annually by the Audit and Risk Management Committee of the Board of Directors.

When deciding on interest rate risk positioning, ALCO considers, among other things, current economic forecasts, the expected direction of interest rates and the shape of the yield curve and market spreads between assets and liabilities of the same and different maturities. Changes in positions are usually accomplished through changes in TD's funding mix, asset maturity profile, or through hedging with derivative products (primarily interest rate swaps, futures and options).

ALCO employs a wide range of interest rate risk measurement and analysis methods when assessing the impact of repositioning decisions. These methods include sensitivity analysis and simulation modeling. Sensitivity analysis measures the impact of interest rate changes on current earnings and on the economic value of TD's interest sensitive assets and liabilities. Currently, sensitivity analysis includes assessing the impact of a 100 basis point (i.e. 1%) change in rates across the entire yield curve as well as analysis incorporating a much larger non-parallel shift in rates employing a two standard deviation movement over a three month time frame. Simulation modeling involves forecasting new and renewing business volumes against various future interest rate environments and calculating the impact on the future earnings and economic valuations as well as estimating TD's sensitivity to additional subsequent interest rate changes.

Of importance in the management and measurement of interest rate risk is the establishment of appropriate and accurate repricing characteristics for every asset and liability product offered to clients. Many of the products offered to retail banking customers have options embedded in them, such as the option to prepay a mortgage before the contractual maturity date or the option to cash out certain term deposits before maturity. Estimation of how customers will use these options is required for the measurement of interest rate risk because changes in the use of these options can materially change the repricing characteristics of these products. As well, the use of these options can and does change significantly with various changes in rates. For example, a customer who holds an encashable term deposit may decide to hold it to maturity if rates do not change. However, if rates increase by 100 basis points (up 1%), the customer may decide to cash out early and redeposit the funds at a higher rate. Estimation of expected customer behaviour under various future interest rate scenarios incorporates analysis of behaviour during previous interest rate cycles and current demographics. This leads to the continual updating of customer behaviour assumptions in the Bank's interest rate risk measurement models and systems.

In 1999, TD moderately increased its interest rate risk position from very low levels in 1998. That position was taken in 1998 in response to higher short-term interest rates and a flattening of the yield curve. The increased position was taken in 1999 in expectation of and in response to decreases in short-term rates and a steepening of the yield curve whereby the rewards from holding longer term assets and funding them with shorter term deposits improve as the yield curve steepens.

An immediate and sustained 100 basis point (or 1%) increase in rates as at October 31, 1999 would have decreased the economic value of shareholders' equity by $153 million (versus $74 million and $158 million at October 31, 1998 and 1997 respectively). The same 100 basis point increase would have decreased income after tax by $7 million (versus an increase of $38 million in 1998 and a decrease of $15 million in 1997).

Foreign exchange risk

Foreign exchange risk is measured by the extent to which changes in foreign currency rates affect the value of the assets, liabilities and shareholders' equity that are denominated in foreign currencies.

Foreign exchange risk arises when foreign currency assets are greater or less than liabilities in that currency. This situation creates a foreign currency open position. All major foreign exchange risk policies and procedures are reviewed and approved annually by the Audit and Risk Management Committee of the Board of Directors. The Funding, Liquidity and Exchange Committee (FLEX) oversees and directs ALM in managing non-trading foreign exchange risk. The FLEX is chaired by the Deputy Chairman.

In order to manage foreign exchange risk, foreign currency open positions are minimized and the ratio of foreign currency equity to total foreign currency assets is maintained at a level that is close to the total Bank's common equity to risk-weighted asset ratio. This minimizes the risk that our capital ratios will be adversely impacted by foreign currency rate movements.

LIQUIDITY RISK

The objective of sound and prudential liquidity management is to ensure that funds will be available at all times to honour all cash outflow obligations as they become due. Liquidity risk is the risk of default that could occur if TD does not have sufficient funds available to meet all its cash outflow obligations as they come due.

The management of liquidity risk is the responsibility of FLEX. To minimize liquidity risk, it ensures that core and long-term deposits are maintained at a very high proportion of total deposits relative to that represented by wholesale demand, notice and short-term deposits.

TD also maintains liquid assets in both Canadian and foreign currencies at prudential levels to ensure that cash can quickly be made available to honour its obligations. The Bank has specific policies regarding required liquid asset coverage of short-term wholesale deposits. As well, TD's prudent funding management recognizes the impact of large single depositors and ensures that there is no reliance on one customer or small group of customers. Liquidity management also recognizes the impact of potential cash outflows arising from irrevocable commitments to fund new assets or from customers' liability under acceptances giving rise to bank loans.

The potential for computer related problems in the financial system over the Year 2000 date change has presented the Bank with a requirement to take specific event readiness and contingency planning action. To ensure that the Bank can continue to meet all its obligations over the Year 2000 period, planning began early in 1998. The Bank has reviewed all of its links to the critical payment systems around the world to ensure that information on availability is quickly provided to those individuals who have liquidity management responsibilities. Should problems arise, contingency plans are in place to ensure that the impact on the Bank is minimized. As well, the Bank has worked with the Bank of Canada, the U.S. Federal Reserve Bank and other central banks where TD is active to ensure that special arrangements are in place to provide liquidity to the Bank and/or other financial institutions should normal funding mechanisms become unavailable over the Year 2000 risk period.

As at October 31, 1999, TD's liquidity was supported by $28.7 billion and US$6.2 billion in highly liquid Canadian and U.S. assets respectively (compared to $13.3 billion and US$2.5 billion respectively at October 31, 1998). These assets include Canadian and U.S. government bonds and treasury bills, deposits with the Bank of Canada, top investment grade customers' liability under acceptances and commercial paper.

TD's liquidity management policies are reviewed and approved annually by the Audit and Risk Management Committee of the Board of Directors.

OPERATIONAL RISK

Operational risk is the potential for loss resulting from operational failures or fraud due to breakdowns in business processes, systems of internal control and technology. Losses can be financial or non-financial, such as loss of reputation.

Operational risk is mitigated through comprehensive, ongoing risk management practices, which include:

- continuous identification and assessment of operational risk faced by the Bank's businesses;
- the implementation and execution of appropriate risk mitigation practices, including an extensive system of internal control; trained and competent people; segregation of incompatible functions; clearly defined operating practices; contingency planning; continual upgrades to TD's systems and procedures; and
- regular Bank-wide audits by TD's Audit Division to ensure that the appropriate risk mitigation practices are being followed.

YEAR 2000

The Year 2000 issue refers to concerns that computer and other electronic systems may not correctly interpret dates from the Year 2000 and on, possibly resulting in errors. If not properly addressed, the Bank's ability to conduct normal business activities would have been affected.

All of the Bank's internal systems were updated and tested for Year 2000 readiness. TD also developed detailed contingency plans and event-readiness plans to cope with various scenarios. The Bank was confident that its systems were ready and its operations would continue without disruption. To this end, the Bank issued a guarantee to customers that their deposits would be safe and their financial records would be fully protected before, on, and after January 1, 2000. TD's confidence was based on the results of extensive testing that had been carried out on its systems. This testing was conducted first on individual systems, then in an enterprise-wide test with customer critical systems running together in a fully integrated manner. TD further expanded the scope of testing by participating in industry tests with other institutions such as banks, brokerages and stock exchanges, and conducted comprehensive tests with its external systems service providers. All tests were successful.

The Bank also had a program in place to ensure that systems that had been updated for the Year 2000 continued to be Year 2000 ready if subsequently changed. As of August 4, 1999, the Bank did not allow any changes to its systems, except where absolutely necessary, until after January 15, 2000, to ensure the Year 2000 status of its systems was not altered. A similar policy was in place with the Bank's external service providers to ensure their systems remained fully Year 2000 ready.

Notwithstanding TD's confidence in its systems readiness, as a prudent measure, the various business and support units reviewed their business recovery procedures and where required, modified them to recognize the special Year 2000 challenge. All business areas tested their procedures for adequacy.

Steps were taken to monitor, manage and mitigate the potential impact that non-compliant credit customers could have on the Bank. Corporate, commercial and financial institution relationships were reviewed and the Bank is confident that the Year 2000 issues will not have a material and adverse impact on the Bank's operations.

The Bank prepared a plan to monitor, test and report on systems as they commenced processing Year 2000 dates. It should be noted that many systems were dealing with Year 2000 dates prior to the Year 2000 (such as mortgages and GIC maturity dates) and we have not experienced any problems with them. The Bank considered the period from December 31, 1999 to January 5, 2000 to be the most critical one and created "Control Centres" within each business and an overall bank-wide "Command Centre" to monitor the Bank's operations during this period. The Bank also conducted simulation tests of these centres. As systems started to run after December 31, TD had people on site, monitoring the systems to ensure they continued to operate correctly. This is the Bank's normal process for major systems events such as implementation of new versions of systems.

TD anticipated higher than usual customer activity towards the end of the year and into early 2000 and increased the capacity of all delivery channels to accommodate this potential increased demand. TD monitored traffic patterns very closely and had extra staff ready to meet additional customer demand. The Bank was involved with other financial institutions in industry-wide advertising this past fall to inform customers of the readiness of the banking industry.

The total cost associated with the Year 2000 conversion is approximately $100 million, of which $86 million has been incurred to October 31, 1999. All material costs are being expensed as incurred.

Capital management

CAPITAL STRUCTURE AND RATIOS AT YEAR END

(millions of dollars)	1999	1998	1997
Tier 1 capital			
Retained earnings	**$ 8,694**	$ 6,387	$ 5,460
Common shares	**2,006**	1,301	1,297
Qualifying preferred shares	**833**	845	546
Non-controlling interest in subsidiary	**335**	–	–
Less: goodwill and intangibles in excess of 5% limit	**(892)**	(958)	(522)
Total Tier 1 capital	**10,976**	7,575	6,781
Tier 2 capital			
Subordinated notes	**3,217**	3,606	3,391
General allowance for credit losses	**753**	636	402
Less: amortization of subordinated notes	**(346)**	(257)	(107)
Total Tier 2 capital	**3,624**	3,985	3,686
Other deductions	**150**	24	13
Total capital	**$ 14,450**	$ 11,536	$ 10,454
Capital ratios			
To total assets			
Common shareholders' equity	**5.0%**	4.2%	4.1%
Total shareholders' equity	**5.4**	4.7	4.5
To risk-weighted assets			
Tier 1 capital	**10.1**	7.2	6.6
Tier 2 capital	**3.2**	3.8	3.6
Total capital	**13.3**	11.0	10.2
Assets to capital multiple[1]	**15.0**	16.1	16.5
U.S. basis			
Tier 1 capital	**9.9%**	6.9%	6.4%
Total capital	**13.1**	10.8	9.8

[1] Total assets plus off-balance sheet credit instruments such as letters of credit and guarantees less investments in associated corporations and goodwill divided by total capital.

CAPITAL STRUCTURE AND RATIOS

Capital management controls the acquisition, maintenance and retirement of capital. The objectives are to provide sufficient capital to maintain the confidence of investors and depositors while providing a satisfactory return to common shareholders, who provide the majority of the capital. Adequate capital is critical to the continuing operations of TD, as evidenced by the fact that under the *Bank Act*, most capital decision-making is reserved for the Board of Directors.

Management of TD's capital includes the following specific objectives:

- to be an appropriately capitalized institution as defined by relevant regulatory authorities and as compared to its peer group;
- to maintain strong ratings;
- to achieve the lowest overall cost of capital consistent with preserving the appropriate mix of capital elements;
- to ensure that sufficient and appropriate capital is either at hand or readily available at reasonable cost to facilitate expansion and provide sufficient protection against unexpected events; and
- to provide a satisfactory return to common shareholders.

Total regulatory capital increased $2,914 million during the year. Approximately 65% of the net increase was the result of capital market activities, including:

- the initial public offering of TD Waterhouse Group, Inc., which gave rise to net proceeds of $1.45 billion;
- the issuance of 25.7 million common shares for gross proceeds of $700 million; and
- the redemption and maturity of $286 million in subordinated debt.

Internally generated capital also contributed to the increase, including:

- earnings after dividends and other charges to retained earnings of $1,185 million, excluding the special gain on the sale of TD Waterhouse Group, Inc. shares; and
- an increase of $117 million in the general allowance for credit losses.

TD's capital ratios have improved significantly during the year as a result of the increase in capital. At 10.1% and 13.3% for the Tier 1 and total capital ratios, respectively, TD's capitalization exceeds the recommended levels of 7% and 10% established by the Office of the Superintendent of Financial Institutions Canada (OSFI). The increase in capital

ratios at October 31, 1999 is in anticipation of the proposed acquisition of CT Financial Services Inc. in fiscal 2000. In addition to the $700 million in common shares issued during 1999, the Bank will raise approximately $1,300 million in preferred shares and other capital instruments in fiscal 2000 to ensure OSFI's required 7% Tier 1 and 10% total capital ratios continue to be met.

Capital ratios provide measures of financial strength and flexibility. OSFI measures the capital adequacy of Canadian banks in accordance with its instructions for determining risk-adjusted capital and risk-weighted assets and off-balance sheet exposures. The risk-based approach is based on the Bank for International Settlements' agreed framework for achieving a more consistent measurement of capital adequacy and standards for banks engaged in international business. This approach does not take into account TD's unrealized pre-tax gains on investment securities and real estate investments. These were estimated at $394 million and $553 million, respectively, at October 31, 1999.

RISK-WEIGHTED ASSETS AT YEAR END

(millions of dollars)	1999		1998		1997	
	Balance	**Risk-weighted balance**	Balance	Risk-weighted balance	Balance	Risk-weighted balance
Balance sheet assets						
Cash resources	**$ 6,226**	**$ 1,109**	$ 3,079	$ 499	$ 7,587	$ 1,414
Securities purchased under resale agreements	**25,708**	**201**	12,291	98	23,321	7
Securities	**69,093**	**6,956**	49,719	5,101	33,422	17,949
Loans	**87,485**	**54,079**	84,926	47,683	79,702	46,745
Customers' liability under acceptances	**9,040**	**8,286**	9,948	9,706	7,036	7,036
Other assets	**16,865**	**4,757**	21,868	5,192	12,784	4,922
Total balance sheet assets	**$ 214,417**	**75,388**	$ 181,831	68,279	$ 163,852	78,073
Off-balance sheet assets						
Credit instruments		**19,347**		22,515		22,047
Derivative financial instruments		**3,603**		5,007		2,765
Total off-balance sheet assets		**22,950**		27,522		24,812
Total risk-weighted asset equivalent – credit risk		**98,338**		95,801		102,885
– market risk[1]		**10,146**		9,305		–
Total risk-weighted assets		**$ 108,484**		$ 105,106		$ 102,885

[1] Market risk rules for trading securities in effect from January 1, 1998.

RISK-WEIGHTED ASSETS

TD's total balance sheet assets showed strong growth again in 1999, up $33 billion or 18%. However, TD's risk-weighted assets experienced growth of only $3.4 billion or 3%. The two main factors affecting the nominal growth in risk-weighted assets during 1999 were:

- the low risk weighting assigned to certain trading securities and securities purchased under resale agreements; and
- the securitization and sale of $325 million of credit card receivables and $3.7 billion of residential mortgages.

When risk assessments are made, balance sheet and off-balance sheet exposures are reviewed collectively. The variety of methods used to monitor and control the various financial risks to which TD is exposed are outlined in the Risk management section of the Management discussion and analysis of operating performance.

Supplementary information

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Table 1

CONSOLIDATED STATEMENT OF INCOME (TEB)

(millions of dollars)	Canada		United States		Other international		Total		
	1999	1998	**1999**	1998	**1999**	1998	**1999**	1998	1997
Net interest income	**$ 2,267**	$ 2,328	**$ 484**	$ 416	**$ 230**	$ 197	**$ 2,981**	$ 2,941	$ 2,822
Taxable equivalent adjustment	**192**	199	**–**	–	**–**	–	**192**	199	161
Net interest income (TEB)	**2,459**	2,527	**484**	416	**230**	197	**3,173**	3,140	2,983
Provision for credit losses	**217**	387	**45**	42	**13**	21	**275**	450	360
Net interest income after credit loss provision (TEB)	**2,242**	2,140	**439**	374	**217**	176	**2,898**	2,690	2,623
Other income	**2,314**	2,004	**1,550**	961	**228**	232	**4,092**	3,197	2,650
Net interest and other income before special gains (TEB)	**4,556**	4,144	**1,989**	1,335	**445**	408	**6,990**	5,887	5,273
Special gains[1]	**141**	–	**1,699**	–	**–**	–	**1,840**	–	–
Net interest and other income (TEB)	**4,697**	4,144	**3,688**	1,335	**445**	408	**8,830**	5,887	5,273
Non-interest expenses excluding non-cash goodwill/intangible charges	**3,107**	2,874	**1,153**	788	**248**	226	**4,508**	3,888	3,326
Net income before provision for income taxes (TEB)	**1,590**	1,270	**2,535**	547	**197**	182	**4,322**	1,999	1,947
Imputed income taxes on grossed-up income	**639**	595	**626**	200	**27**	21	**1,292**	816	802
Net income before non-controlling interest	**951**	675	**1,909**	347	**170**	161	**3,030**	1,183	1,145
Non-controlling interest	**–**	–	**5**	–	**–**	–	**5**	–	–
Net income – cash basis	**$ 951**	$ 675	**$ 1,904**	$ 347	**$ 170**	$ 161	**$ 3,025**	$ 1,183	$ 1,145
Non-cash goodwill/intangible charges – tax effected	**–**	–	**44**	62	**–**	–	**44**	62	57
Net income – accrual basis	**$ 951**	$ 675	**$ 1,860**	$ 285	**$ 170**	$ 161	**$ 2,981**	$ 1,121	$ 1,088
Percentage contribution to consolidated net income – cash basis	**31.4%**	57.1%	**63.0%**	29.3%	**5.6%**	13.6%	**100%**	100%	100%

[1] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 2

CASH EARNINGS PER COMMON SHARE ANALYSIS

	1999	1998	1997
Prior year's cash earnings per common share	**$ 1.92**	$ 1.87	$ 1.48
Increase (decrease)			
Net interest income (TEB) – asset growth	**.76**	1.39	1.02
– margin	**(.74)**	(1.10)	(.38)
Provision for credit losses	**.30**	(.16)	(.35)
Other income	**1.44**	.95	1.51
Special gains[1]	**3.07**	–	–
Non-interest expenses excluding non-cash goodwill/intangible charges	**(.98)**	(.98)	(1.13)
Income taxes (TEB)	**(.78)**	(.03)	(.28)
Non-controlling interest	**(.01)**	–	–
Preferred dividends	**–**	(.02)	–
Current year's cash earnings per common share	**$ 4.98**	$ 1.92	$ 1.87
Number of common shares (millions) – at year end	**620.3**	594.2	593.9
– average	**599.3**	594.0	597.4

[1] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 3

CASH BASIS MEASUREMENTS

(millions of dollars)	1999	1998	1997
Net income applicable to common shares	**$ 2,938**	$ 1,076	$ 1,057
Impact of non-cash goodwill and intangible expense (tax effected)	**44**	62	57
Net income – cash basis	**$ 2,982**	$ 1,138	$ 1,114
Average common shareholders' equity	**$ 8,576**	$ 7,169	$ 6,386
Impact of average non-cash goodwill/intangibles	**(753)**	(708)	(522)
Average tangible common shareholders' equity	**$ 7,823**	$ 6,461	$ 5,864
Average number of common shares outstanding (millions)	**599.3**	594.0	597.4
Cash basis measurements			
Cash earnings per share[1]	**$ 4.98**	$ 1.92	$ 1.87
Cash earnings per share excluding special gains[3]	**2.39**	1.92	1.87
Cash return on common shareholders' equity[1]	**34.8%**	15.9%	17.4%
Cash return on common shareholders' equity excluding special gains[3]	**16.7**	15.9	17.4
Cash return on tangible common shareholders' equity[2]	**38.1**	17.6	19.0
Cash return on tangible common shareholders' equity excluding special gains[3]	**18.3**	17.6	19.0
Tangible book value per share	**$ 16.04**	$ 11.61	$ 10.50

[1] Cash basis measurement is based on excluding goodwill and intangible expense from the income statement.

[2] Cash return on tangible common equity is an alternative measurement based on excluding goodwill and intangible expense from the income statement and deducting unamortized goodwill and intangibles from shareholders' equity for purposes of calculating return on common shareholders' equity. This treatment allows for a more meaningful comparison between Canada and the United States. The portion of goodwill and intangibles which is deductible for tax has been tax effected.

[3] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.

Table 4

ANALYSIS OF CHANGE IN NET INTEREST INCOME (TEB)

(millions of dollars)	1999 vs. 1998			1998 vs. 1997		
	Favourable (unfavourable) due to change in			Favourable (unfavourable) due to change in		
	Average volume	Average rate	Net change	Average volume	Average rate	Net change
Total earning assets	**$ 1,449**	**$ (579)**	**$ 870**	$ 1,877	$ 332	$ 2,209
Total interest-bearing liabilities	**(912)**	**75**	**(837)**	(1,605)	(447)	(2,052)
Net interest income	**$ 537**	**$ (504)**	**$ 33**	$ 272	$ (115)	$ 157

Table 5

NET INTEREST RATE MARGIN (TEB)

(millions of dollars)	1999			1998			1997		
	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin	Average earning assets	Net interest income	Margin
Canada	**$100,814**	**$ 2,459**	**2.44%**	$ 98,239	$ 2,527	2.57%	$ 86,689	$ 2,552	2.94%
United States	**47,472**	**484**	**1.02**	38,489	416	1.08	25,804	255	.99
Other international	**37,861**	**230**	**.61**	24,516	197	.80	14,404	176	1.22
Total Bank	**$186,147**	**$ 3,173**	**1.70%**	$161,244	$ 3,140	1.95%	$126,897	$ 2,983	2.35%
Percentage increase over previous year	**15.4%**	**1.1%**		27.1%	5.3%		23.4%	14.6%	

Table 6

AVERAGE BALANCES AND INTEREST RATES (TEB)

(millions of dollars)	1999			1998			1997		
	Average balance	Interest	Average rate	Average balance	Interest	Average rate	Average balance	Interest	Average rate
Assets									
Deposits with banks	$ 7,943	$ 512	6.4%	$ 7,802	$ 334	4.3%	$ 4,957	$ 225	4.5%
Securities purchased under resale agreements	24,401	1,156	4.7	24,736	1,181	4.8	18,230	747	4.1
Securities									
Investment	15,922	898	5.6	14,311	762	5.3	12,251	685	5.6
Trading	48,715	2,062	4.2	29,709	1,611	5.4	14,896	767	5.1
Total securities	64,637	2,960	4.6	44,020	2,373	5.4	27,147	1,452	5.3
Loans									
Residential mortgages	32,904	2,118	6.4	31,366	2,098	6.7	30,110	2,160	7.2
Consumer instalment and other personal	17,981	1,409	7.8	15,060	1,229	8.2	11,820	923	7.8
Business and government	38,281	2,911	7.6	38,260	2,981	7.8	34,633	2,480	7.2
Total loans	89,166	6,438	7.2	84,686	6,308	7.4	76,563	5,563	7.3
Total earning assets	186,147	11,066	5.9	161,244	10,196	6.3	126,897	7,987	6.3
Customers' liability under acceptances	9,439	–	–	8,852	–	–	7,141	–	–
Other assets	17,975	–	–	20,504	–	–	12,359	–	–
Total assets	$213,561	$ 11,066	5.2%	$190,600	$ 10,196	5.3%	$146,397	$ 7,987	5.5%
Liabilities									
Deposits									
Personal	$ 49,357	$ 1,478	3.0%	$ 44,255	$ 1,559	3.5%	$ 41,836	$ 1,403	3.4%
Banks	30,078	1,675	5.6	23,364	1,011	4.3	13,332	619	4.6
Business and government	62,613	3,101	5.0	59,923	3,013	5.0	43,715	1,870	4.3
Total deposits	142,048	6,254	4.4	127,542	5,583	4.4	98,883	3,892	3.9
Subordinated notes	3,328	181	5.4	3,310	226	6.8	3,170	192	6.1
Obligations related to securities sold short	17,348	650	3.7	11,826	391	3.3	7,412	320	4.3
Obligations related to securities sold under repurchase agreements	16,932	780	4.6	17,373	818	4.7	13,866	583	4.2
Other interest-bearing liabilities	397	28	7.0	338	38	11.4	218	17	7.8
Total interest-bearing liabilities	180,053	7,893	4.4	160,389	7,056	4.4	123,549	5,004	4.1
Acceptances	9,439	–	–	8,852	–	–	7,141	–	–
Other liabilities	14,647	–	–	13,222	–	–	8,708	–	–
Non-controlling interest in subsidiary	130	–	–	–	–	–	–	–	–
Equity – preferred	837	–	–	883	–	–	541	–	–
– common	8,455	–	–	7,254	–	–	6,458	–	–
Total liabilities	$213,561	$ 7,893	3.7%	$190,600	$ 7,056	3.7%	$146,397	$ 5,004	3.4%
Total net interest income (TEB)		$ 3,173	1.5%		$ 3,140	1.6%		$ 2,983	2.0%

Table 7

OTHER INCOME

(millions of dollars)	1999	1998	1997	1996	1995	Five-year growth rate
TD Waterhouse fees and commissions	$ 979	$ 634	$ 467	$ 150	$ 94	62%
Full service brokerage and other securities services	484	379	333	216	121	40
Credit fees	463	403	352	312	289	14
Net investment securities gains[1]	362	386	329	103	92	62
Trading income	679	298	270	186	150	39
Service charges	289	283	268	260	251	4
Mutual fund management	258	204	152	74	52	38
Card services	190	180	165	150	133	17
Foreign exchange – non-trading	72	95	81	65	63	1
Property rental income	59	61	54	51	50	23
Insurance	65	56	42	31	46	20
Income – asset securitizations	94	33	–	–	–	100+
Other consumer services	16	28	45	47	42	(17)
Other commercial and corporate services	82	157	92	104	78	7
Total	$ 4,092	$ 3,197	$ 2,650	$ 1,749	$ 1,461	28%
Percentage increase over previous year	28.0%	20.6%	51.5%	19.7%	23.9%	

[1] Excludes special Knight/Trimark gain in 1999.

Table 8

TRADING RELATED INCOME (TEB)[1]

(millions of dollars)	1999	1998	1997
Net interest income	$ 30	$ 170	$ 139
Other income	679	298	270
Total trading related income (TEB)	$ 709	$ 468	$ 409
By business			
Interest rate and credit portfolios	$ 417	$ 396	$ 240
Foreign exchange portfolios	145	112	81
Equity and other portfolios	147	(40)	88
Total trading related income (TEB)	$ 709	$ 468	$ 409

[1] Trading related income includes both trading income reported in other income and net interest income derived from trading instruments.

Table 9

NON-INTEREST EXPENSES AND EFFICIENCY RATIO[1]

(millions of dollars)	1999	1998	1997	1996	1995	Five-year growth rate
Salaries and staff benefits						
Salaries	$ 2,260	$ 1,992	$ 1,686	$ 1,337	$ 1,210	15%
Pension and other staff benefits	223	175	140	115	95	16
Salaries and staff benefits total	2,483	2,167	1,826	1,452	1,305	15
Occupancy						
Rent	209	196	171	154	152	7
Depreciation	80	73	72	64	61	6
Other	84	75	70	65	70	4
Occupancy total	373	344	313	283	283	6
Equipment						
Rent	88	78	58	51	51	17
Depreciation	121	108	86	71	67	16
Other	186	149	126	115	98	18
Equipment total	395	335	270	237	216	17
General						
Marketing and business development	261	213	188	134	113	21
Brokerage related fees	221	162	100	36	29	48
Communications	155	142	121	92	75	17
Professional and advisory services	172	140	134	97	94	15
Capital and business taxes	86	73	110	93	87	3
Postage	82	65	59	46	42	17
Deposit insurance premiums	41	63	64	68	61	(5)
Travel and relocation	46	45	38	30	28	13
Other – excluding non-cash goodwill/intangible charges	193	139	103	86	51	20
General total	1,257	1,042	917	682	580	18
Total expenses excluding non-cash goodwill/intangible charges	$ 4,508	$ 3,888	$ 3,326	$ 2,654	$ 2,384	15%
Percentage increase	15.9%	16.9%	25.3%	11.3%	7.0%	
Efficiency ratio						
Net interest income (TEB)	$ 3,173	$ 3,140	$ 2,983	$ 2,603	$ 2,498	
Other income	4,092	3,197	2,650	1,749	1,461	
Total revenue (TEB)	7,265	6,337	5,633	4,352	3,959	
Deduct one-time gains	61	246	200	–	–	
Adjusted revenue (TEB)	$ 7,204	$ 6,091	$ 5,433	$ 4,352	$ 3,959	
Efficiency ratio – excluding non-cash charges and one-time gains[2]	62.6%	63.8%	61.2%	61.0%	60.2%	

[1] Expenses used to compute the efficiency ratio exclude non-cash goodwill/intangible charges.

[2] Excludes gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999 and other one-time gains.

Table 10

TAXES

(millions of dollars)	1999	1998	1997	1996	1995
Current income taxes	**$ 1,001**	$ 610	$ 735	$ 409	$ 467
Other taxes					
Payroll taxes	**85**	86	82	78	73
Deposit insurance premiums	**41**	63	64	68	61
Capital taxes	**77**	71	83	68	62
GST and provincial sales taxes	**82**	93	74	67	59
Municipal and business taxes	**71**	60	68	62	65
Total other taxes	**356**	373	371	343	320
Total taxes	**$ 1,357**	$ 983	$ 1,106	$ 752	$ 787
Taxes as a % of net income[1] before taxes	**41.0%**	46.7%	52.6%	42.9%	50.2%

[1] Excluding gain on sale of 11.5% of TD Waterhouse Group, Inc. in 1999.

Table 11

LOANS TO SMALL AND MID-SIZED BUSINESS CUSTOMERS

(millions of dollars)						
	Loans authorized			Amount outstanding		
Loan amount	**1999**	1998	1997	**1999**	1998	1997
(thousands of dollars)						
0 – 24	**$ 340**	$ 312	$ 288	**$ 170**	$ 195	$ 186
25 – 49	**462**	452	438	**279**	291	296
50 – 99	**971**	952	930	**604**	629	630
100 – 249	**2,278**	2,303	2,301	**1,446**	1,502	1,538
250 – 499	**2,190**	2,193	2,134	**1,322**	1,359	1,339
500 – 999	**2,448**	2,544	2,533	**1,331**	1,397	1,379
1,000 – 4,999	**7,366**	7,515	7,134	**3,358**	3,362	3,268
Total[1]	**$ 16,055**	$ 16,271	$ 15,758	**$ 8,510**	$ 8,735	$ 8,636

[1] Personal loans used for business purposes are not included in these totals.

Table 12

LOANS AND CUSTOMERS' LIABILITY UNDER ACCEPTANCES AT YEAR END

(millions of dollars)

	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	1997
Residential mortgages	**$ 31,483**	$ 32,255	**$ –**	$ –	**$ –**	$ –	**$ 31,483**	$ 32,255	$ 30,442
Consumer instalment and other personal	**13,021**	11,778	**7,406**	3,285	**16**	97	**20,443**	15,160	13,736
Total residential and personal	**44,504**	44,033	**7,406**	3,285	**16**	97	**51,926**	47,415	44,178
Real estate development									
Commercial and industrial	**1,645**	1,914	**42**	134	**–**	3	**1,687**	2,051	2,205
Residential	**1,161**	1,214	**–**	17	**–**	–	**1,161**	1,231	1,164
Retail	**506**	505	**5**	15	**15**	44	**526**	564	622
Real estate services	**204**	181	**–**	–	**–**	–	**204**	181	243
Total real estate	**3,516**	3,814	**47**	166	**15**	47	**3,578**	4,027	4,234
Agriculture	**2,035**	1,951	**–**	22	**–**	–	**2,035**	1,973	1,531
Apparel and textile	**465**	601	**83**	68	**28**	9	**576**	678	649
Automotive	**1,427**	1,577	**326**	273	**–**	127	**1,753**	1,977	1,536
Chemical	**1,259**	757	**497**	781	**284**	514	**2,040**	2,052	1,304
Construction	**570**	595	**–**	4	**26**	13	**596**	612	555
Financial	**1,622**	2,303	**1,551**	610	**1,261**	961	**4,434**	3,874	4,950
Food, beverage and tobacco	**1,508**	1,528	**221**	254	**261**	425	**1,990**	2,207	2,025
Forestry	**908**	1,412	**428**	501	**273**	213	**1,609**	2,126	2,121
Government	**363**	255	**59**	42	**–**	–	**422**	297	258
Health and social services	**935**	940	**695**	890	**26**	12	**1,656**	1,842	1,933
Media and communication	**2,181**	2,068	**3,486**	4,561	**1,783**	2,191	**7,450**	8,820	7,131
Metals and mining	**1,014**	1,101	**217**	179	**207**	283	**1,438**	1,563	1,461
Oil and gas	**1,937**	2,674	**946**	870	**315**	212	**3,198**	3,756	2,808
Retail	**788**	587	**84**	45	**–**	6	**872**	638	648
Sundry manufacturing	**1,644**	1,531	**350**	512	**534**	535	**2,528**	2,578	2,091
Transportation	**773**	791	**261**	175	**220**	150	**1,254**	1,116	871
Utilities	**593**	481	**2,164**	2,007	**1,603**	1,756	**4,360**	4,244	3,957
All other loans	**2,129**	2,472	**276**	243	**405**	364	**2,810**	3,079	2,497
Total business and government	**25,667**	27,438	**11,691**	12,203	**7,241**	7,818	**44,599**	47,459	42,560
Total[2]	**$ 70,171**	$ 71,471	**$ 19,097**	$ 15,488	**$ 7,257**	$ 7,915	**$ 96,525**	$ 94,874	$ 86,738
Percentage growth	**(1.8)%**	7.8%	**23.3%**	27.6%	**(8.3)%**	(5.0)%	**1.7%**	9.4%	10.1%

By location of ultimate risk	**1999**	1998	1997	**1999 % mix**	1998 % mix	1997 % mix
Canada						
Atlantic	**$ 2,420**	$ 2,336	$ 2,277	**2.5**	2.5	2.6
Québec	**5,452**	5,841	5,549	**5.6**	6.2	6.4
Ontario	**42,218**	41,201	38,392	**43.7**	43.4	44.3
Prairies	**11,748**	12,243	10,500	**12.2**	12.9	12.1
British Columbia	**8,355**	9,633	9,212	**8.7**	10.2	10.6
Total Canada	**70,193**	71,254	65,930	**72.7**	75.2	76.0
United States	**18,486**	14,152	11,504	**19.2**	14.9	13.2
Other international						
United Kingdom	**2,330**	2,943	2,839	**2.4**	3.1	3.3
Europe – other	**427**	796	759	**.4**	.8	.9
Australia and New Zealand	**3,026**	2,172	2,486	**3.1**	2.3	2.9
Japan	**253**	431	308	**.3**	.5	.3
Asia – other	**946**	1,169	1,572	**1.0**	1.2	1.8
Latin America and Caribbean	**860**	1,901	1,200	**.9**	2.0	1.4
Middle East and Africa	**4**	56	140	**–**	–	.2
Total other international	**7,846**	9,468	9,304	**8.1**	9.9	10.8
Total	**$ 96,525**	$ 94,874	$ 86,738	**100.0**	100.0	100.0
Percentage growth over previous year						
Canada	**(1.5)%**	8.1%	8.8%			
United States	**30.6**	23.0	14.0			
Other international	**(17.1)**	1.8	14.5			
Total	**1.7%**	9.4%	10.1%			

[1] Based on geographic location of unit responsible for recording revenue.

[2] There were no material loans restructured or renegotiated against which provisions have been established. The Bank does not have sovereign risk loans against which provisions have been established.

Table 13

IMPAIRED LOANS LESS ALLOWANCE FOR CREDIT LOSSES AT YEAR END

(millions of dollars)

	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	1997
Residential mortgages	**$ 46**	$ 41	**$ –**	$ –	**$ –**	$ –	**$ 46**	$ 41	$ 36
Consumer instalment and other personal	**27**	51	**–**	–	**–**	–	**27**	51	20
Total residential and personal	**73**	92	**–**	–	**–**	–	**73**	92	56
Real estate development									
Commercial and industrial	**13**	31	**–**	–	**–**	–	**13**	31	42
Residential	**2**	(4)	**–**	–	**–**	–	**2**	(4)	17
Retail	**–**	1	**–**	11	**–**	–	**–**	12	4
Real estate services	**4**	8	**–**	–	**–**	–	**4**	8	9
Total real estate	**19**	36	**–**	11	**–**	–	**19**	47	72
Agriculture	**16**	7	**–**	–	**–**	–	**16**	7	2
Apparel and textile	**68**	2	**–**	–	**–**	–	**68**	2	3
Automotive	**5**	1	**1**	–	**–**	–	**6**	1	6
Chemical	**1**	–	**–**	–	**–**	–	**1**	–	–
Construction	**2**	–	**–**	–	**3**	–	**5**	–	5
Financial	**2**	2	**–**	–	**–**	–	**2**	2	5
Food, beverage and tobacco	**47**	6	**–**	–	**–**	–	**47**	6	21
Forestry	**50**	83	**–**	–	**–**	–	**50**	83	78
Health and social services	**1**	2	**58**	–	**–**	–	**59**	2	4
Media and communication	**6**	3	**–**	–	**6**	8	**12**	11	5
Metals and mining	**2**	2	**–**	–	**–**	–	**2**	2	–
Oil and gas	**–**	–	**18**	–	**–**	–	**18**	–	(2)
Retail	**8**	38	**–**	–	**–**	–	**8**	38	5
Sundry manufacturing	**21**	(2)	**–**	–	**–**	–	**21**	(2)	20
Transportation	**3**	3	**–**	–	**–**	–	**3**	3	4
Utilities	**–**	–	**25**	29	**4**	–	**29**	29	23
All other loans	**16**	35	**–**	–	**–**	3	**16**	38	16
Total business and government	**267**	218	**102**	40	**13**	11	**382**	269	267
Total net impaired loans before general allowances	**$ 340**	$ 310	**$ 102**	$ 40	**$ 13**	$ 11	**$ 455**	$ 361	$ 323
Less: general allowances							**712**	620	402
Total net impaired loans							**$ (257)**	$ (259)	$ (79)
Net impaired loans as a % of common equity							**(2.4)%**	(3.4)%	(1.2)%

By location[1]	**1999**	1998	1997	**1999 % mix**	1998 % mix	1997 % mix
Canada						
Atlantic	**$ 9**	$ 7	$ 4	**2.0**	1.9	1.2
Québec	**37**	46	54	**8.1**	12.7	16.7
Ontario	**254**	221	196	**55.8**	61.3	60.7
Prairies	**24**	19	11	**5.3**	5.3	3.4
British Columbia	**16**	17	6	**3.5**	4.7	1.9
Total Canada	**340**	310	271	**74.7**	85.9	83.9
United States	**102**	40	52	**22.4**	11.1	16.1
Other international – Asia	**13**	11	–	**2.9**	3.0	–
Total net impaired loans before general allowances	**$ 455**	$ 361	$ 323	**100.0**	100.0	100.0
Less: general allowances	**712**	620	402			
Total net impaired loans	**$ (257)**	$ (259)	$ (79)			
Net impaired loans as a % of net loans[2]	**(.3)%**	(.3)%	(.1)%			

[1] Based on geographic location of unit responsible for recording revenue.
[2] Includes customers' liability under acceptances.

Table 14

IMPACT ON NET INTEREST INCOME DUE TO IMPAIRED LOANS

(millions of dollars)	**1999**	1998	1997
Reduction in net interest income due to impaired loans	**$ 63**	$ 53	$ 64
Recoveries	**(11)**	(16)	(13)
Net reduction	**$ 52**	$ 37	$ 51

Table 15

PROVISION FOR CREDIT LOSSES

(millions of dollars)

	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	1997
Residential mortgages	**$ 4**	$ 7	**$ –**	$ –	**$ –**	$ –	**$ 4**	$ 7	$ 6
Consumer instalment and other personal	**43**	91	**1**	1	**–**	–	**44**	92	85
Total residential and personal	**47**	98	**1**	1	**–**	–	**48**	99	91
Real estate development									
Commercial and industrial	**–**	–	**–**	3	**–**	–	**–**	3	(80)
Residential	**(5)**	–	**–**	(2)	**–**	–	**(5)**	(2)	(6)
Retail	**–**	–	**(1)**	(5)	**–**	–	**(1)**	(5)	7
Real estate services	**–**	1	**–**	–	**–**	–	**–**	1	(3)
Total real estate	**(5)**	1	**(1)**	(4)	**–**	–	**(6)**	(3)	(82)
Agriculture	**3**	3	**–**	–	**–**	–	**3**	3	1
Apparel and textile	**36**	7	**–**	–	**–**	–	**36**	7	5
Automotive	**2**	(2)	**3**	–	**–**	–	**5**	(2)	2
Chemical	**1**	–	**–**	–	**–**	–	**1**	–	(3)
Construction	**2**	7	**–**	–	**–**	5	**2**	12	3
Financial	**2**	–	**–**	5	**8**	–	**10**	5	2
Food, beverage and tobacco	**7**	9	**–**	–	**–**	–	**7**	9	(10)
Forestry	**45**	19	**–**	38	**–**	–	**45**	57	127
Health and social services	**–**	(3)	**36**	–	**–**	–	**36**	(3)	–
Media and communication	**(41)**	1	**2**	2	**–**	16	**(39)**	19	7
Metals and mining	**1**	2	**–**	–	**1**	–	**2**	2	–
Oil and gas	**–**	1	**1**	–	**–**	–	**1**	1	–
Retail	**3**	2	**–**	–	**–**	–	**3**	2	7
Sundry manufacturing	**8**	18	**–**	–	**–**	–	**8**	18	–
Transportation	**1**	1	**–**	–	**–**	–	**1**	1	2
Utilities	**–**	–	**–**	–	**4**	–	**4**	–	4
All other loans	**5**	23	**3**	–	**–**	–	**8**	23	4
Total business and government	**70**	89	**44**	41	**13**	21	**127**	151	69
Total before special general provision	**$ 117**	$ 187	**$ 45**	$ 42	**$ 13**	$ 21	**$ 175**	$ 250	$ 160
Special general provision							**100**	200	200
Total							**$ 275**	$ 450	$ 360

By location[1]	1999	1998	1997	1999 % mix	1998 % mix	1997 % mix
Canada						
Atlantic	**$ 5**	$ 6	$ –	**1.8**	1.3	–
Québec	**17**	38	(17)	**6.2**	8.5	(4.7)
Ontario	**74**	110	187	**26.9**	24.4	51.9
Prairies	**13**	19	(3)	**4.7**	4.2	(.8)
British Columbia	**8**	14	(5)	**2.9**	3.1	(1.4)
Total Canada	**117**	187	162	**42.5**	41.5	45.0
United States	**45**	42	(5)	**16.4**	9.4	(1.3)
Other international						
United Kingdom	**5**	8	1	**1.7**	1.8	.2
Australia	**4**	5	2	**1.5**	1.1	.5
Asia and Latin America	**4**	8	–	**1.5**	1.8	–
Total other international	**13**	21	3	**4.7**	4.7	.7
Special general provision	**100**	200	200	**36.4**	44.4	55.6
Total	**$ 275**	$ 450	$ 360	**100.0**	100.0	100.0
Provision for credit losses as a % of net average loans[2]						
Canada						
Residential mortgages	**.01%**	.02%	.02%			
Personal	**.35**	.74	.78			
Business and other	**.26**	.33	.31			
Total Canada	**.16**	.26	.26			
United States	**.24**	.29	(.06)			
Other international	**.17**	.25	.04			
Special general provision	**.10**	.21	.24			
Total	**.28%**	.48%	.43%			

[1] Based on geographic location of unit responsible for recording revenue.

[2] Includes customers' liability under acceptances.

Table 16

CURRENT REPLACEMENT COST OF DERIVATIVES

(millions of dollars)	Canada[1]		United States[1]		Other international[1]		Total		
By sector	**1999**	1998	**1999**	1998	**1999**	1998	**1999**	1998	1997
Financial	**$ 4,144**	$ 5,894	**$ 532**	$ 967	**$ 4,265**	$ 4,442	**$ 8,941**	$ 11,303	$ 5,612
Government	**278**	343	**–**	54	**205**	251	**483**	648	461
Other	**981**	1,365	**312**	218	**299**	1,003	**1,592**	2,586	1,315
Current replacement cost	**$ 5,403**	$ 7,602	**$ 844**	$ 1,239	**$ 4,769**	$ 5,696	**11,016**	14,537	7,388
Impact of netting agreements							**5,419**	5,853	2,747
Current replacement cost (after netting agreements)							**$ 5,597**	$ 8,684	$ 4,641

By location of ultimate risk	**1999**	1998	**1999 % mix**	1998 % mix
Canada	**$ 3,141**	$ 4,598	**28.5**	31.6
United States	**2,732**	3,943	**24.8**	27.1
Other international				
United Kingdom	**995**	1,321	**9.0**	9.1
Europe – other	**3,306**	3,412	**30.0**	23.5
Australia and New Zealand	**374**	569	**3.4**	3.9
Japan	**170**	298	**1.6**	2.0
Asia – other	**5**	23	**–**	.2
Latin America and Caribbean	**61**	89	**.6**	.6
Middle East and Africa	**232**	284	**2.1**	2.0
Total other international	**5,143**	5,996	**46.7**	41.3
Total current replacement cost	**11,016**	14,537	**100.0**	100.0
Impact of netting agreements	**5,419**	5,853		
Current replacement cost (after netting agreements)	**$ 5,597**	$ 8,684		

[1] Based on geographic location of unit responsible for recording revenue.

Table 17

ASSETS UNDER ADMINISTRATION

(millions of dollars)	**1999**	1998	1997	**1999/1998 % increase**
Personal and commercial banking				
Retail brokerage and trust	**$ 24,309**	$ 16,882	$ 9,039	**44**
Retail custody and other	**15,776**	14,935	20,188	**6**
Loans securitized	**8,070**	4,721	1,901	**71**
Total personal and commercial banking	**48,155**	36,538	31,128	**32**
Wealth management services				
Retail brokerage – Canada	**25,305**	19,012	16,642	**33**
– United States and other international	**126,508**	62,141	31,478	**104**
Total retail brokerage	**151,813**	81,153	48,120	**87**
Mutual funds – Canada	**16,699**	14,296	13,039	**17**
– United States	**11,489**	6,253	3,538	**84**
Total mutual funds	**28,188**	20,549	16,577	**37**
Institutional and other	**31,999**	26,818	24,742	**19**
Total wealth management services	**212,000**	128,520	89,439	**65**
Total assets under administration	**$ 260,155**	$ 165,058	$ 120,567	**58**

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Consolidated financial statements

Financial reporting responsibility

The consolidated financial statements of The Toronto-Dominion Bank and related financial information presented elsewhere in this Annual Report have been prepared by management, which is responsible for their integrity, consistency, objectivity and reliability. Generally accepted accounting principles as well as the requirements of the Bank Act and the related regulations have been applied and management has exercised its judgement and made best estimates where deemed appropriate.

The Bank's accounting system and related internal controls are designed, and supporting procedures maintained, to provide reasonable assurance that financial records are complete and accurate and that assets are safeguarded against loss from unauthorized use or disposition. These supporting procedures include the careful selection and training of qualified staff, the establishment of organizational structures providing a well-defined division of responsibilities and accountability for performance, and the communication of policies and guidelines of business conduct throughout the Bank.

The Bank's Board of Directors, acting through the Audit and Risk Management Committee which is comprised of directors who are not officers or employees of the Bank, oversees management's responsibilities for the financial reporting and internal control systems.

The Bank's Chief Internal Auditor, who has full and free access to the Audit and Risk Management Committee, conducts an extensive program of audits in coordination with the Bank's shareholders' auditors. This program is an integral part of the system of internal control and is carried out by a professional staff of auditors.

The Superintendent of Financial Institutions Canada makes such examination and enquiry into the affairs of the Bank as he may deem necessary to satisfy himself that the provisions of the Bank Act, having reference to the safety of the depositors, are being duly observed and that the Bank is in a sound financial condition.

Ernst & Young LLP and KPMG LLP, the shareholders' auditors, have audited our consolidated financial statements. They have full and free access to, and meet periodically with, the Audit and Risk Management Committee to discuss their audit and matters arising therefrom such as comments they may have on the fairness of financial reporting and the adequacy of internal controls.

A. Charles Baillie
Chairman and
Chief Executive Officer

William T. Brock
Deputy Chairman

Daniel A. Marinangeli
Executive Vice President and
Chief Financial Officer

Auditors' report to the shareholders

We have audited the consolidated balance sheet of The Toronto-Dominion Bank as at October 31, 1999 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Bank as at October 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada.

The consolidated financial statements for the years ended October 31, 1998 and 1997 were audited by Ernst & Young LLP and PricewaterhouseCoopers LLP who expressed an opinion thereon without reservation in their report dated November 19, 1998.

Ernst & Young LLP
Chartered Accountants

KPMG LLP
Chartered Accountants

Toronto, Canada
November 18, 1999

Consolidated balance sheet

As at October 31

(millions of dollars)	1999	1998
ASSETS		
Cash resources		
Cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	$ 1,464	$ 1,379
Interest-bearing deposits with other banks	4,762	1,700
	6,226	3,079
Securities purchased under resale agreements	25,708	12,291
Securities (Note 2)		
Investment	18,029	12,512
Trading	51,064	37,207
	69,093	49,719
Loans (net of allowance for credit losses) (Note 3)		
Residential mortgages	31,483	32,255
Consumer instalment and other personal	20,443	15,160
Business and government	35,559	37,511
	87,485	84,926
Other		
Customers' liability under acceptances	9,040	9,948
Land, buildings and equipment (Note 4)	1,738	1,666
Other assets (Note 5)	15,127	20,202
	25,905	31,816
Total assets	$ 214,417	$ 181,831
LIABILITIES		
Deposits (Note 6)		
Personal	$ 52,774	$ 47,693
Banks	30,901	17,063
Business and government	56,711	55,921
	140,386	120,677
Other		
Acceptances	9,040	9,948
Obligations related to securities sold short	15,044	13,034
Obligations related to securities sold under repurchase agreements	19,241	8,421
Other liabilities (Note 7)	15,621	17,612
	58,946	49,015
Subordinated notes (Note 8)	3,217	3,606
Non-controlling interest in subsidiary	335	–
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)		
Preferred	833	845
Common	2,006	1,301
Retained earnings	8,694	6,387
	11,533	8,533
Total liabilities and shareholders' equity	$ 214,417	$ 181,831

A. Charles Baillie
Chairman and
Chief Executive Officer

William T. Brock
Deputy Chairman

Consolidated statement of income

For the years ended October 31

(millions of dollars)	1999	1998	1997
Interest income			
Loans	$ 7,594	$ 7,490	$ 6,310
Securities			
Dividends	257	306	250
Interest	2,511	1,867	1,041
Deposits with banks	512	334	225
	10,874	9,997	7,826
Interest expense			
Deposits	6,254	5,582	3,892
Subordinated notes	181	226	192
Other obligations	1,458	1,248	920
	7,893	7,056	5,004
Net interest income	2,981	2,941	2,822
Provision for credit losses (Note 3)	275	450	360
Net interest income after credit loss provision	2,706	2,491	2,462
Other income			
Investment and securities services	1,721	1,217	952
Credit fees	463	403	352
Net investment securities gains	1,079	386	329
Trading income	679	298	270
Service charges	289	283	268
Card services	190	180	165
Other	388	430	314
	4,809	3,197	2,650
Net interest and other income	7,515	5,688	5,112
Gain on sale of TD Waterhouse Group, Inc. (Note 21)	1,122	–	–
Net interest and other income, including gain	8,637	5,688	5,112
Non-interest expenses			
Salaries and staff benefits (Note 10)	2,483	2,167	1,826
Occupancy including depreciation	373	344	313
Equipment including depreciation	395	335	270
Other	1,259	1,042	917
Non-interest expenses excluding goodwill expense	4,510	3,888	3,326
Net income before provision for income taxes	4,127	1,800	1,786
Provision for income taxes (Note 11)	1,099	617	641
Net income before non-controlling interest in subsidiary	3,028	1,183	1,145
Non-controlling interest in net income of subsidiary	5	–	–
Net income before goodwill expense	3,023	1,183	1,145
Goodwill expense, net of tax	42	62	57
Net income	2,981	1,121	1,088
Preferred dividends (Note 9)	43	45	31
Net income applicable to common shares – including goodwill expense	$ 2,938	$ 1,076	$ 1,057
– excluding goodwill expense	$ 2,980	$ 1,138	$ 1,114
Average number of common shares outstanding (thousands) (Note 9)	599,331	594,040	597,410
Earnings per common share – including goodwill expense	$ 4.90	$ 1.81	$ 1.77
– excluding goodwill expense	4.97	1.92	1.86
Dividends per common share	.72	.66	.56

Consolidated statement of changes in shareholders' equity

For the years ended October 31

(millions of dollars)	1999	1998	1997
Preferred shares (Note 9)			
Balance at beginning of year	**$ 845**	$ 546	$ 534
Proceeds from share issues	**–**	350	–
Share redemptions	**–**	(75)	–
Translation adjustment on shares issued in a foreign currency	**(12)**	24	12
Balance at end of year	**833**	845	546
Common shares (Note 9)			
Balance at beginning of year	**1,301**	1,297	1,305
Issued on acquisition of a subsidiary	**–**	–	1
Proceeds from shares issued for cash	**700**	–	–
Proceeds from shares issued on exercise of options	**5**	4	21
Shares purchased for cancellation	**–**	–	(30)
Balance at end of year	**2,006**	1,301	1,297
Retained earnings			
Balance at beginning of year	**6,387**	5,460	4,840
Net income	**2,981**	1,121	1,088
Preferred dividends	**(43)**	(45)	(31)
Common dividends	**(433)**	(392)	(335)
Translation adjustments, net of income taxes	**(149)**	270	120
Shares purchased for cancellation	**–**	–	(222)
Stock options settled in cash, net of income taxes	**(37)**	(25)	(6)
Other	**(12)**	(2)	6
Balance at end of year	**8,694**	6,387	5,460
Total common equity	**10,700**	7,688	6,757
Total shareholders' equity	**$ 11,533**	$ 8,533	$ 7,303

Consolidated statement of cash flows

For the years ended October 31

(millions of dollars)	1999	1998	1997
Cash flows from (used in) operating activities			
Net income	**$ 2,981**	$ 1,121	$ 1,088
Adjustments to determine net cash flows			
Provision for credit losses	**275**	450	360
Depreciation	**201**	181	130
Amortization of goodwill and intangible assets	**53**	68	57
Gain on sale of TD Waterhouse Group, Inc.	**(1,122)**	–	–
Net investment securities gains	**(1,079)**	(386)	(329)
Changes in operating assets and liabilities			
Future income taxes	**134**	(106)	(116)
Interest receivable	**456**	(776)	(164)
Interest payable	**(156)**	578	(2)
Deferred loan fees	**(14)**	24	(9)
Trading securities	**(13,857)**	(16,396)	(7,310)
Unrealized gains and amounts receivable on derivatives contracts	**3,247**	(6,092)	(2,410)
Unrealized losses and amounts payable on derivatives contracts	**(3,759)**	5,748	1,699
Current income taxes payable	**382**	(84)	74
Other items and accruals	**2,449**	(869)	(1,028)
Net cash used in operating activities	**(9,809)**	(16,539)	(7,960)
Cash flows from (used in) financing activities			
Deposits	**19,709**	10,051	23,063
Securities sold under repurchase agreements	**10,820**	(6,778)	3,392
Securities sold short	**2,010**	3,394	3,277
Debt of subsidiaries	**49**	32	39
Issuance of subordinated notes	**6**	5	1,481
Repayment of subordinated notes	**(286)**	–	(515)
Common shares issued for cash, net of expenses	**688**	–	–
Common shares issued on exercise of options	**5**	4	21
Common shares purchased for cancellation	**–**	–	(252)
Common stock options settled in cash, net of income taxes	**(37)**	(25)	(6)
Issuance of preferred shares	**–**	350	–
Redemption of preferred shares	**–**	(75)	–
Dividends paid on – preferred shares	**(43)**	(45)	(31)
– common shares	**(433)**	(392)	(335)
Proceeds on issuance of subsidiary shares	**1,457**	–	–
Other financing	**(41)**	35	7
Net cash from financing activities	**33,904**	6,556	30,141
Cash flows from (used in) investing activities			
Interest-bearing deposits	**(3,062)**	4,687	(2,544)
Activity in investment securities			
Purchases	**(44,520)**	(50,367)	(18,376)
Proceeds from maturities	**34,081**	48,001	11,464
Proceeds from sales	**6,001**	2,851	5,353
Loans	**(7,095)**	(8,948)	(9,649)
Proceeds from loan securitizations	**4,275**	3,250	1,969
Land, buildings and equipment – net purchases	**(273)**	(342)	(313)
Securities purchased under resale agreements	**(13,417)**	11,030	(10,258)
Net cash from (used in) investing activities	**(24,010)**	10,162	(22,354)
Net changes in cash and cash equivalents	**85**	179	(173)
Cash and cash equivalents at beginning of year	**1,379**	1,200	1,373
Cash and cash equivalents at end of year represented by cash, deposits with Bank of Canada and non-interest-bearing deposits with other banks	**$ 1,464**	$ 1,379	$ 1,200
Supplementary disclosure of cash flow information			
Amount of interest paid during the year	**$ 8,049**	$ 6,478	$ 5,006
Amount of income taxes paid during the year	**619**	694	661

Notes to consolidated financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bank Act

The Bank Act stipulates that the consolidated financial statements are to be prepared in accordance with generally accepted accounting principles, except as specified by the Superintendent of Financial Institutions Canada.

The accounting principles followed by the Bank conform with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada.

Note 22 to the consolidated financial statements describes and reconciles the differences between generally accepted accounting principles in Canada and in the United States.

The significant accounting policies and practices followed by the Bank are:

(a) Basis of consolidation

The consolidated financial statements include the assets and liabilities and results of operations of subsidiaries, namely corporations effectively controlled by the Bank. The purchase method is used to account for all business acquisitions. The difference between the acquisition cost of an investment and the fair value of the net assets acquired represents goodwill which is amortized to income over a period not to exceed 20 years. During the year, the Bank retroactively adopted a presentation of goodwill expense which presents the expense on a net-of-tax basis as a separate line item in the consolidated statement of income, after the provision for income taxes and non-controlling interest in net income of subsidiary. The unamortized balance of goodwill is included in other assets. Goodwill is written down to fair value when a permanent impairment in value is indicated by the expected cash flows from each subsidiary.

When the Bank effectively controls a subsidiary but does not own all of the voting shares, the non-controlling interest in the net book value of the subsidiary is disclosed in the consolidated balance sheet separately from the Bank's shareholders' equity. The non-controlling interest in the subsidiary's net income is disclosed net of income taxes as a separate line item in the consolidated statement of income.

Interests in joint ventures are recognized using the proportionate consolidation method. Under this approach, the Bank's share of assets, liabilities, revenues and expenses of joint ventures are reported on a line-by-line basis.

Corporations over which the Bank has significant influence are reported in investment securities in the consolidated balance sheet and are accounted for using the equity method of accounting. The Bank's share of earnings of such corporations is reported in interest income in the consolidated statement of income.

(b) Use of estimates in the preparation of financial statements

The preparation of the consolidated financial statements of the Bank requires management to make estimates and assumptions based on information available as of the date of the financial statements. Therefore, actual results could differ from those estimates.

(c) Translation of foreign currencies

Foreign currency assets and liabilities are translated into Canadian dollars at prevailing year-end rates of exchange. Foreign currency income and expenses are translated into Canadian dollars at the average exchange rates prevailing throughout the year.

Unrealized translation gains and losses related to the Bank's investment positions in foreign operations, net of any offsetting gains or losses arising from economic hedges of these positions and applicable income taxes, are included in a separate component of shareholders' equity. All other unrealized translation gains and losses and all realized gains and losses are included in other income in the consolidated statement of income.

(d) Cash resources

Cash resources includes cash and cash equivalents represented by cash and highly liquid deposits with the Bank of Canada and non-interest-bearing deposits with other banks.

(e) Securities

Investment account securities, excluding loan substitutes, are securities where the Bank's original intention is to hold to maturity or until market conditions render alternative investments more attractive, and which are generally available for sale. They are carried at cost or amortized cost, adjusted to recognize other than temporary impairment in the underlying value. Gains and losses realized on disposal are determined on the average cost basis. Such gains, losses and write-downs are included in other income.

Trading account securities, including trading securities sold short included in liabilities, are carried at market values. Gains and losses on disposal and adjustments to market are reported in other income.

Interest income earned, amortization of premiums and discounts on debt securities and dividends received are included in interest income.

Loan substitutes are securities which have been structured as after-tax instruments rather than conventional loans in order to provide the issuers with a borrowing rate advantage and are identical in risk and security to bank loans of comparable term. Loan substitutes are carried at cost less any allowance for anticipated credit losses as described in (g).

(f) Loans

Loans are stated net of unearned income and an allowance for credit losses.

Interest income is recorded on the accrual basis until such time as the loan is classified as impaired. Interest on impaired loans subsequently received is recorded as income only when management has reasonable assurance as to the timely collection of the full amount of the principal and interest.

An impaired loan is any loan where, in management's opinion, there has been a deterioration of credit quality to the extent that the Bank no longer has reasonable assurance as to the timely collection of the full amount of the principal and interest. In addition, any loan where a payment is contractually past due 90 days is classified as impaired, other than a deposit with a bank, a credit card loan, or a loan that is guaranteed or insured by Canada, the provinces or an agency controlled by these governments.

Deposits with banks are considered impaired when a payment is contractually past due 21 days. Credit card loans with payments 180 days in arrears are considered impaired and are entirely written off.

Loan origination fees are considered to be adjustments to loan yield and are deferred and amortized to interest income over the term of the loan. Commitment fees are amortized to other income over the commitment period when it is unlikely that the commitment will be called upon; otherwise, they are deferred and amortized to interest income over the term of the resulting loan. Loan syndication fees are recognized in other income unless the yield on any loans retained by the Bank is less than that of other comparable lenders involved in the financing. In such cases an appropriate portion of the fee is deferred and amortized to interest income over the term of the loan.

(g) Allowance for credit losses

An allowance is maintained which is considered adequate to absorb all credit-related losses in a portfolio of items which are both on and off the consolidated balance sheet. Assets in the portfolio which are included in the consolidated balance sheet are deposits with banks, loans, mortgages, loan substitutes, securities purchased under resale agreements, acceptances and derivative financial instruments. Items not included in the consolidated balance sheet and referred to as off-balance sheet items include guarantees and letters of credit. The allowance is deducted from the applicable asset in the consolidated balance sheet except for acceptances and off-balance sheet items. The allowance for acceptances and for off-balance sheet items is included in other liabilities.

The allowance consists of specific and general allowances.

Specific allowances include all the accumulated provisions for losses on particular assets required to reduce the book values to estimated realizable amounts in the ordinary course of business. Specific provisions are established on an individual facility basis to recognize credit losses on business and government loans. For personal loans, excluding credit cards, specific provisions are calculated using a formula method taking into account recent loss experience. No specific provisions for credit cards are recorded and balances are written off when payments are 180 days in arrears.

General allowances include all the accumulated provisions for losses which are prudential in nature and cannot be determined on an item-by-item basis. The level of the general allowance depends upon an assessment of business and economic conditions, historical and expected loss experience, loan portfolio composition and other relevant indicators. The resulting allowance is considered adequate, when combined with the specific allowances, to absorb all credit losses in the portfolio of on and off-balance sheet items.

Actual write-offs, net of recoveries, are deducted from the allowance for credit losses. The provision for credit losses, which is charged to the consolidated statement of income, is added to bring the allowance to a level which management considers adequate to absorb probable credit-related losses in its portfolio of on and off-balance sheet items.

(h) Loan securitizations

Loans are considered securitized and removed from the consolidated balance sheet when the significant risks and rewards of ownership are transferred to a special purpose trust. The gains on sale are recognized in other income only when received in cash by the Bank and only when the trust has no recourse to the funds.

(i) Securities purchased under resale and sold under repurchase agreements

Securities purchased under resale agreements consist of the purchase of a security, normally a government bond, with the commitment by the Bank to resell the security to the original seller at a specified price. Securities sold under repurchase agreements consist of the sale of a security with the commitment by the Bank to repurchase the security at a specified price. Securities purchased under resale and sold under repurchase agreements are carried at cost on the consolidated balance sheet. The difference between the sale price and the agreed repurchase price on a repurchase agreement is recorded as interest expense. Conversely, the difference between the cost of the purchase and the predetermined proceeds to be received on a resale agreement is recorded as interest income.

(j) Acceptances

The potential liability of the Bank under acceptances is reported as a liability in the consolidated balance sheet. The Bank's recourse against the customer in the event of a call on any of these commitments is reported as an offsetting asset of the same amount.

(k) Land, buildings and equipment

Land is reported at cost. Buildings, equipment and leasehold improvements are reported at cost less accumulated depreciation. Gains and losses on disposal are reported in other income. Depreciation methods and rates by asset category are as follows:

Asset	Depreciation method	Rate
Buildings	Declining balance	5% or 10%
Computer equipment	Declining balance	30%
Furniture, fixtures and other equipment	Declining balance	20%
Mainframe central processing units	Straight-line	4 years
Mainframe operating systems	Straight-line	3 years
Leasehold improvements	Straight-line	estimated useful life

(l) Derivative financial instruments

Derivative financial instruments are financial contracts which derive their value from changes in interest rates, foreign exchange rates and other financial or commodity indices. Such instruments include interest rate, foreign exchange, equity, commodity and credit derivative contracts. These instruments are traded by the Bank and are also used by the Bank for its own risk management purposes. To be designated as a non-trading derivative contract and receive hedge accounting treatment, the contract must substantially offset the effects of price, interest rate or foreign exchange rate exposures to the Bank, must be documented at inception as a non-trading derivative contract, and must have a high correlation at inception and throughout the contract period between the derivative contract and the Bank's exposure. If these criteria are not met, the contract is designated as a trading derivative.

Trading derivatives are entered into by the Bank to meet the needs of its customers and to take trading positions. Derivative trading portfolios are marked to market with the resulting realized and unrealized gains or losses recognized immediately in other income. The market value for interest rate swaps including cross-currency interest rate swaps is determined net of a deferral which recognizes the need to cover the cost of capital, credit risk and administrative expenses over the life of each contract.

Non-trading derivatives are entered into by the Bank in order to meet the Bank's funding and investing strategies. This is accomplished by modifying one or more characteristics of the Bank's risk related to on-balance sheet financial instruments. Unrealized gains and losses on non-trading derivatives are accounted for on a basis consistent with the related on-balance sheet financial instrument. Realized gains and losses resulting from the early termination, sale, maturity or extinguishment of such derivatives are generally deferred and amortized over the remaining term of the related on-balance sheet instruments. Premiums on purchased options are deferred at inception and amortized into other income over the contract life.

(m) Provision for income taxes

The Bank recognizes both the current and future income tax consequences of all transactions that have been recognized in the financial statements. Future income tax assets and liabilities are determined based on the tax rates that are expected to apply when the assets or liabilities are reported for tax purposes.

(n) Pension and other post-retirement employee benefits

The Bank's principal pension plan is The Pension Fund Society of The Toronto-Dominion Bank for which membership is voluntary and funding is provided by contributions from the Bank and members of the plan.

Each year, actuarial valuations are made of the pension plans maintained by the Bank to determine the present value of the accrued pension benefits.

Pension costs are determined based upon separate actuarial valuations using the projected benefit method pro-rated on service and management's best estimates rather than on valuations for funding purposes.

Pension expense includes the cost of pension benefits for the current year's service, interest expense on pension liabilities, expected income on plan assets based on market-related values, and the amortization of pension adjustments on a straight-line basis over the expected average remaining service life of the employee group.

The cumulative difference between pension expense and funding contributions is reported in other assets.

The Bank also provides certain health care and life insurance benefits for its employees upon retirement. Eligible employees are those who retire from the Bank at normal retirement age. The cost of these benefits is recognized as incurred by the retirees.

(o) Comparative figures

Certain comparative figures have been reclassified to conform with the presentation adopted in 1999.

2 SECURITIES

Securities maturity schedule at year end

(millions of dollars)	Remaining term to maturity							
	Within 1 year	1 to 3 years	3 to 5 years	5 to 10 years	Over 10 years	No specific maturity	**1999 Total**	1998 Total
Investment securities								
Securities issued or guaranteed by								
Canada	$ 350	$ 7	$ 467	$ 59	$ 2	$ –	**$ 885**	$ 1,118
Provinces	56	149	61	1	1	–	**268**	604
Total	406	156	528	60	3	–	**1,153**	1,722
Other debt securities								
Canadian issuers	111	60	25	52	33	116	**397**	372
U.S. federal government	6,336	154	10	14	48	–	**6,562**	4,522
Other foreign governments	3,459	112	–	–	–	–	**3,571**	475
Other issuers	905	817	351	267	27	–	**2,367**	1,574
Total	10,811	1,143	386	333	108	116	**12,897**	6,943
Equity securities								
Preferred shares	402	394	163	381	9	205	**1,554**	1,645
Common shares	–	–	–	–	–	2,425	**2,425**	2,202
Total	402	394	163	381	9	2,630	**3,979**	3,847
Total investment securities	11,619	1,693	1,077	774	120	2,746	**18,029**	12,512
Trading securities								
Securities issued or guaranteed by								
Canada	4,252	1,727	257	2,270	2,508	–	**11,014**	7,918
Provinces	423	516	184	374	668	–	**2,165**	2,224
Total	4,675	2,243	441	2,644	3,176	–	**13,179**	10,142
Other debt securities								
Canadian issuers	3,460	397	374	608	446	–	**5,285**	2,711
U.S. federal government	721	15	164	266	17	–	**1,183**	1,237
Other foreign governments	767	222	160	575	804	–	**2,528**	3,340
Other issuers	4,530	6,265	3,783	3,552	1,865	–	**19,995**	12,169
Total	9,478	6,899	4,481	5,001	3,132	–	**28,991**	19,457
Equity securities								
Preferred shares	130	122	5	595	184	2,198	**3,234**	3,283
Common shares	–	–	–	–	–	5,660	**5,660**	4,325
Total	130	122	5	595	184	7,858	**8,894**	7,608
Total trading securities	14,283	9,264	4,927	8,240	6,492	7,858	**51,064**	37,207
Total securities[1]	$ 25,902	$ 10,957	$ 6,004	$ 9,014	$ 6,612	$ 10,604	**$ 69,093**	$ 49,719

[1] Includes loan substitutes in the amount of $20 million (1998 – $183 million).

Securities – Unrealized gains and losses

(millions of dollars)	1999				1998			
	Book value	Gross unrealized gains	Gross unrealized losses	Estimated market value	Book value	Gross unrealized gains	Gross unrealized losses	Estimated market value
Investment securities								
Issued or guaranteed by								
Canada	**$ 885**	**$ –**	**$ 18**	**$ 867**	$ 1,118	$ 1	$ 5	$ 1,114
Provinces	**268**	**–**	**2**	**266**	604	3	–	607
U.S. federal government	**6,562**	**–**	**2**	**6,560**	4,522	8	1	4,529
Other debt	**6,335**	**18**	**13**	**6,340**	2,421	3	8	2,416
Equity	**3,979**	**484**	**73**	**4,390**	3,847	483	7	4,323
Total investment securities	**18,029**	**502**	**108**	**18,423**	12,512	498	21	12,989
Trading securities	**51,064**	**–**	**–**	**51,064**	37,207	–	–	37,207
Total securities	**$ 69,093**	**$ 502**	**$ 108**	**$ 69,487**	$ 49,719	$ 498	$ 21	$ 50,196

3 LOANS, IMPAIRED LOANS AND ALLOWANCE FOR CREDIT LOSSES

Loans and impaired loans

(millions of dollars)						
		Allowance for credit losses				
1999	Gross amount of loans	Specific allowance	General allowance	Total	Net amount of loans	Gross impaired loans
Residential mortgages	**$ 31,537**	**$ 6**	**$ 48**	**$ 54**	**$ 31,483**	**$ 52**
Consumer instalment and other personal	**20,625**	**36**	**146**	**182**	**20,443**	**63**
Business and government	**36,289**	**212**	**518**	**730**	**35,559**	**594**
Total	**$ 88,451**	**$ 254**	**$ 712**	**$ 966**	**$ 87,485**	**$ 709**
1998						
Residential mortgages	$ 32,302	$ 2	$ 45	$ 47	$ 32,255	$ 43
Consumer instalment and other personal	15,333	53	120	173	15,160	104
Business and government	38,167	201	455	656	37,511	470
Total	$ 85,802	$ 256	$ 620	$ 876	$ 84,926	$ 617

	1999	1998
Average gross impaired loans during the year	**$ 676**	$ 631
Net impaired loans at year end	**$ (257)**	$ (259)

Included in gross residential mortgages are Canadian government-insured mortgages of $24,704 million at October 31, 1999 (1998 – $24,399 million). Gross impaired loans include foreclosed assets held for sale with a gross carrying value of $94 million at October 31, 1999 (1998 – $117 million) and a related allowance of $52 million (1998 – $29 million). Loans are reported net of unearned income of $128 million (1998 – $142 million).

Allowance for credit losses

(millions of dollars)	1999	1998
Balance at beginning of year	**$ 876**	$ 585
Write-offs	**(259)**	(260)
Recoveries	**99**	101
Provision for credit losses charged to the consolidated statement of income		
– specific	**175**	232
– general	**100**	218
Other, including foreign exchange rate changes	**(25)**	–
Allowance for loan losses at end of year[1]	**$ 966**	$ 876

[1] The Bank also has general allowances of $41 million (1998 – $16 million) related to derivative financial instruments and to loan underwriting commitments. With these additional allowances, which are reported in other assets and other liabilities, the Bank's total allowance for credit losses at year end is $1,007 million (1998 – $892 million).

4 LAND, BUILDINGS AND EQUIPMENT

(millions of dollars)			1999	1998
	Cost	Accumulated depreciation	**Net book value**	Net book value
Land	$ 183	$ –	**$ 183**	$ 188
Buildings	1,187	299	**888**	877
Computer equipment	665	367	**298**	258
Furniture, fixtures and other equipment	439	244	**195**	191
Leasehold improvements	310	136	**174**	152
	$ 2,784	$ 1,046	**$ 1,738**	$ 1,666

Accumulated depreciation at the end of 1998 was $975 million.

5 OTHER ASSETS

(millions of dollars)	1999	1998
Market revaluation of trading derivative financial instruments **(Note 14)**	**$ 9,651**	$ 12,898
Amounts receivable from brokers, dealers and clients	**1,303**	2,213
Accrued interest	**1,330**	1,786
Accounts receivable, prepaid expenses and other items	**1,417**	1,656
Unamortized goodwill and intangible assets	**909**	958
Future income taxes **(Note 11)**	**236**	370
Mortgages sold with recourse to Green Line mutual funds	**182**	237
Prepaid pension expense **(Note 10)**	**99**	84
	$ 15,127	$ 20,202

6 DEPOSITS

(millions of dollars)				1999	1998
	Demand	Notice	Term	Total	Total
Personal	$ 10,868	$ 15,549	$ 26,357	**$ 52,774**	$ 47,693
Banks	2,728	23	28,150	**30,901**	17,063
Business and government	12,538	7,542	36,631	**56,711**	55,921
Total	$ 26,134	$ 23,114	$ 91,138	**$ 140,386**	$ 120,677
Non-interest-bearing deposits included above					
In domestic offices				**$ 2,148**	$ 1,776
In foreign offices				**322**	69
Interest-bearing deposits included above					
In domestic offices				**73,870**	68,052
In foreign offices				**61,039**	47,945
U.S. federal funds purchased				**3,007**	2,835
Total				**$ 140,386**	$ 120,677

7 OTHER LIABILITIES

(millions of dollars)	1999	1998
Market revaluation of trading derivative financial instruments **(Note 14)**	**$ 8,473**	$ 12,232
Amounts payable to brokers, dealers and clients	**2,660**	614
Accrued interest	**1,788**	1,944
Accounts payable, accrued expenses and other items	**1,438**	1,797
Accrued salaries and staff benefits	**514**	466
Liabilities of subsidiaries other than deposits	**371**	322
Obligations related to mortgages sold with recourse	**182**	237
Cheques and other items in transit, net	**195**	–
	$ 15,621	$ 17,612

8 SUBORDINATED NOTES

The notes are direct unsecured obligations of the Bank and are subordinated in right of payment to the claims of depositors and certain other creditors of the Bank. Where appropriate, the Bank has entered into interest rate options, interest rate swaps and currency swaps to modify the related interest rate and foreign currency risks.

(millions of dollars)					
Interest rate (%)	Maturity date	Redeemable beginning	Foreign currency amount	Outstanding October 31 1999	1998
5.00	To Feb. 1999	–		$ –	$ 1
7.75	Apr. 1999	–	Yen 5 billion	–	66
Various[1]	Aug. 1999 to Oct. 2001	–		**30**	31
Various[2]	Jan. 2002 to Feb. 2002	–		**8**	6
1.38	May 2002	–		**2**	2
Various[3]	June 2002 to Sept. 2002	–		**16**	13
1.70	Oct. 2002	–		**1**	–
Floating rate[4]	Oct. 2002	–	US$150 million	**221**	231
Floating rate[5]	Aug. 2003	–	US$150 million	**221**	231
Floating rate[6]	Oct. 2003	–		**100**	100
8.00	Dec. 2003	July 1998		**150**	150
7.88	Aug. 2004	Aug. 1999	US$150 million	–	231
5.60	Sept. 2006	Sept. 2001		**400**	400
6.45	Oct. 2006	Oct. 2001		**350**	350
6.50	Jan. 2007	Jan. 2002	US$300 million	**440**	463
6.75	Mar. 2007	Mar. 2002	US$200 million	**293**	309
5.65	Sept. 2007	Sept. 2002		**25**	25
6.50	Aug. 2008	–	US$150 million	**221**	231
6.15	Oct. 2008	–	US$150 million	**221**	231
6.13	Nov. 2008	–	US$100 million	**147**	154
6.45	Jan. 2009	–	US$150 million	**221**	231
8.40	Dec. 2010	Dec. 2005		**150**	150
				$ 3,217	$ 3,606

[1] Interest is payable at various rates, from .13% to 4.20%.
[2] Interest is payable at various rates, from 1.13% to 3.05%.
[3] Interest is payable at various rates, from .13% to 2.95%.
[4] Interest at six-month U.S. dollar LIBOR less .13%, subject to minimum and maximum rates of 5% and 10% respectively.
[5] Interest at three-month U.S. dollar LIBOR, subject to a minimum of 4.10%.
[6] Interest at three-month customers' liability under acceptance rate less .30%, subject to minimum and maximum rates of 6.50% and 9% respectively.

Repayment schedule

The aggregate maturities of the Bank's subordinated notes, assuming the earlier of the date of maturity or retraction at the holders' option under the terms of issue, are as follows:

(millions of dollars)	1999	1998
Within 1 year	**$ 8**	$ 68
Over 1 to 2 years	**22**	8
Over 2 to 3 years	**248**	22
Over 3 to 5 years	**471**	583
Over 5 years	**2,468**	2,925
	$ 3,217	$ 3,606

9 CAPITAL STOCK

The share capital of the Bank consists of:

Authorized

An unlimited number of Class A First Preferred Shares, without par value, issuable in series.

An unlimited number of common shares, without par value.

(millions of dollars)	1999	1998
Issued and fully paid		
Preferred shares issued by the Bank		
7,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series G (US$175 million)	$ 258	$ 270
9,000,000 Non-cumulative Redeemable Class A First Preferred Shares, Series H	225	225
	483	495
Preferred shares issued by TD Mortgage Investment Corporation		
350,000 Non-cumulative Preferred Shares, Series A	350	350
Total preferred shares	833	845
Common shares (1999 – 620,343,168; 1998 – 594,237,648)	2,006	1,301
	$ 2,839	$ 2,146

Preferred shares

None of the outstanding preferred shares are redeemable at the option of the holder.

Redemptions of all preferred shares are subject to the prior approval of the Superintendent of Financial Institutions Canada.

Class A First Preferred Shares, Series G

Between April 30, 2001 and April 30, 2002, the Bank has the option of redeeming the outstanding Series G shares for US$26.00. After April 30, 2003, the redemption price is reduced to US$25.00 together with declared and unpaid dividends to the date of redemption.

On or after April 30, 2001, the Bank may convert the outstanding Series G shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series G share together with declared and unpaid dividends to the date of conversion by the greater of US$1.00 and 95% of the U.S. dollar equivalent of the average trading price of such common shares at that time.

On or after January 31, 2004, each Series G share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of US$25.00 cash per share together with declared and unpaid dividends to the date of conversion.

Class A First Preferred Shares, Series H

Between April 30, 2002 and April 30, 2003, the Bank has the option of redeeming the outstanding Series H shares for $26.00. After April 30, 2004, the redemption price is reduced to $25.00 together with declared and unpaid dividends to the date of redemption.

On or after April 30, 2002, the Bank may convert the outstanding Series H shares in whole or in part into common shares, determined by dividing the then applicable redemption price per Series H share together with declared and unpaid dividends to the date of conversion by the greater of $1.00 and 95% of the average trading price of such common shares at that time.

On or after January 31, 2005, each Series H share may, at the option of the holder, be converted quarterly into common shares as described above.

By giving at least 40 days of notice prior to the date of conversion to all holders who have given a conversion notice, the Bank may redeem or find substitute purchasers at the purchase price of $25.00 cash per share together with declared and unpaid dividends to the date of conversion.

TD Mortgage Investment Corporation Preferred Shares, Series A

Semi-annually, on or after October 31, 2007, TD Mortgage Investment Corporation (TDMIC) has the option of redeeming the outstanding Series A shares for $1,000.00.

Semi-annually, on or after October 31, 2007, the Bank may exchange the outstanding Series A shares in whole into common shares of the Bank, determined by dividing $1,000.00 plus the declared and unpaid dividends to the date of exchange by 95% of the average trading price of such common shares at that time.

Semi-annually, on or after October 31, 2007, each Series A share may, at the option of the holder, be exchanged into common shares of the Bank, determined by dividing $1,000.00 plus the declared and unpaid dividends to the date of exchange by the greater of $1.00 and 95% of the average trading price of such common shares at that time.

By giving at least two business days of notice prior to the date of exchange to all holders who have given an exchange notice, TDMIC may redeem or the Bank may find substitute purchasers at the purchase price of $1,000.00 plus the declared and unpaid dividends to the date of conversion.

Dividend rates on preferred shares

The dividend rates for the preferred shares are:

(i) Series G, quarterly rate of US$.3375 per share.

(ii) Series H, quarterly rate of $.44375 per share.

(iii) Series A, semi-annual rate of $32.30 per share.

Class A First Preferred Shares, Series I and J

On November 1, 1999, the Bank issued 16,400,000 units for cash consideration of $102.5 million. Each unit consists of one Non-cumulative Class A Redeemable First Preferred Share, Series I and one Non-cumulative Class A Redeemable First Preferred Share, Series J Purchase Warrant.

On April 28, 2000, July 31, 2000 or October 31, 2000, unitholders may, by exercising one Series J Purchase Warrant together with a cash payment of $18.75, convert one Series I share into one Series J share. Series I shares will pay quarterly dividends at an annual rate of 5.50% until April 28, 2000. After that date Series I shares will pay quarterly dividends of $.01, and Series J shares will pay quarterly dividends at an annual rate of 5.10%.

Common shares

	1999	1998
Number outstanding at beginning of year	**594,237,648**	593,892,398
Issued for gross proceeds of $700 million **(Note 20)**	**25,700,000**	–
Issued on exercise of options	**405,520**	345,250
Number outstanding at end of year	**620,343,168**	594,237,648

Stock dividend

On July 31, 1999, the Bank paid a stock dividend of one common share on each of its issued and outstanding common shares. The effect of this one-for-one stock dividend is the same as a two-for-one split of the common shares. All common share numbers have been restated to reflect the stock dividend.

Stock options

Under the Bank's stock option plan, options on common shares may be issued to certain employees for terms of 10 years, vesting over a four-year period and exercisable at the closing market price of the shares on the date prior to the date the options were issued. Outstanding options have exercise prices ranging from $8.188 to $30.60. Their weighted average remaining contractual life is 7.7 years, and they expire on dates ranging from April 2000 to December 2008. At October 31, 1999, a total of 8,378,000 common shares have been reserved for future issuance under the stock option plan.

During 1997 the plan administration was modified to allow employees to elect to receive cash for the options equal to their intrinsic value, being the difference between the option exercise price and the current market value of the shares.

A summary of the Bank's stock option activity and related information for the years ended October 31 is as follows:

	1999	Weighted average exercise price	1998	Weighted average exercise price	1997	Weighted average exercise price
Number outstanding, beginning of year	**21,867,140**	**$ 15.80**	20,400,890	$ 12.12	18,322,040	$ 10.33
Granted	**4,916,400**	**25.43**	4,176,200	30.60	4,953,000	17.45
Exercised – cash	**(2,770,072)**	**10.76**	(2,200,550)	10.65	(419,850)	9.39
– shares	**(405,520)**	**12.57**	(345,250)	10.40	(2,185,050)	9.63
Forfeited	**(271,000)**	**23.46**	(164,150)	14.75	(269,250)	12.45
Number outstanding, end of year	**23,336,948**	**$ 18.39**	21,867,140	$ 15.80	20,400,890	$ 12.12
Exercisable, end of year	**12,337,346**	**$ 13.40**	10,380,042	$ 10.98	8,666,690	$ 9.68

Dividend restrictions

The Bank is prohibited by the Bank Act from declaring any dividends on its preferred or common shares if there are reasonable grounds for believing that the Bank is, or the payment would cause the Bank to be, in contravention of the capital adequacy and liquidity regulations of the Bank Act or directions of the Superintendent of Financial Institutions Canada. In addition, the ability to pay common share dividends is restricted by the terms of the outstanding preferred shares whereby the Bank may not pay dividends on its common shares without the approval of the holders of the outstanding preferred shares unless all dividends on the preferred shares have been declared and paid or set apart for payment. Currently these limitations do not restrict the payment of dividends on preferred or common shares.

10 PENSIONS

Pension benefits are based upon the length of service and the final five years' average salary of the employees.

The Bank's principal pension plan is funded by contributions from the Bank and from the members of the plan. In accordance with legislation, the Bank contributes amounts determined on an actuarial basis to the plan and has the ultimate responsibility for ensuring that the liabilities of the plan are adequately funded over time.

The Bank also provides certain life insurance, health and dental benefits to retired employees. The cost of these benefits is recorded in salaries and staff benefits as paid.

The following table presents the financial position of the Bank's pension plan at October 31.

(millions of dollars)	1999	1998	1997
Accumulated benefit obligation	$ 1,068	$ 1,078	$ 987
Vested portion of accumulated benefit obligation	1,066	1,076	985
Change in projected benefit obligation			
Projected benefit obligation at beginning of year	1,157	1,066	894
Plan amendments	3	2	2
Change in actuarial assumptions	(39)	8	101
Interest accrued on benefits	74	71	67
Benefits accrued	38	38	33
Benefits paid	(79)	(75)	(66)
Pension enhancement account benefits accrued	3	1	5
Experience (gains) losses	(5)	55	30
Other	(11)	(9)	–
Projected benefit obligation at end of year	1,141	1,157	1,066
Change in plan assets			
Plan assets at fair value at beginning of year	1,043	1,208	1,020
Actual income on plan assets	51	51	57
Gain on disposal of investments	10	78	115
Members' contributions	18	18	19
Employer's contributions	40	–	–
Increase (decrease) in unrealized gains on investments	69	(213)	76
Pension benefits	(79)	(75)	(66)
General and administrative expenses	(10)	(13)	(13)
Other	(11)	(11)	–
Plan assets at fair value at end of year	1,131	1,043	1,208
Excess (deficit) of plan assets over projected benefit obligation	(10)	(114)	142
Unrecognized net (gain) loss from past experience, different from that assumed, and effects of changes in assumptions	119	224	(21)
Unrecognized prior service costs	23	23	24
Unrecognized transition amount	(33)	(49)	(65)
Prepaid pension expense	$ 99	$ 84	$ 80
Annual expense			
Net pension expense includes the following components:			
Service cost – benefits earned	$ 23	$ 23	$ 18
Interest on projected benefit obligation	74	71	67
Expected return on plan assets	(78)	(86)	(80)
Net amortization	6	(12)	(13)
Canadian pension expense	25	(4)	(8)
International pension expense	20	12	10
Pension expense	45	8	2
Canada and Québec pension plan contribution	26	23	21
Total pension expense	$ 71	$ 31	$ 23
Actuarial assumptions			
Weighted average discount rate for projected benefit obligation	6.75%	6.50%	6.50%
Weighted average rate of compensation increase	3.50	3.50	3.50
Weighted average expected long-term rate of return on plan assets	7.75	7.50	7.25

11 PROVISION FOR INCOME TAXES

(millions of dollars)	1999	1998	1997
Provision for income taxes – consolidated statement of income			
Current income taxes	$ 943	$ 717	$ 757
Future income taxes	147	(106)	(116)
	1,090	611	641
Provision for income taxes – statement of changes in shareholders' equity			
Current income taxes	58	(107)	(22)
Future income taxes	(13)	–	–
	45	(107)	(22)
Total provision for income taxes	$ 1,135	$ 504	$ 619
Current income taxes			
Federal	$ 267	$ 282	$ 404
Provincial	91	102	155
Foreign	643	226	176
	1,001	610	735
Future income taxes			
Federal	98	(79)	(89)
Provincial	33	(25)	(33)
Foreign	3	(2)	6
	134	(106)	(116)
	$ 1,135	$ 504	$ 619

The provision for income taxes shown in the consolidated statement of income is less than that obtained by applying statutory tax rates to the net income before provision for income taxes for the following reasons:

	1999	1998	1997
Canadian statutory income tax rate	42.5%	42.8%	43.1%
Increase (decrease) resulting from:			
Non-taxable gain on sale of TD Waterhouse Group, Inc.	(11.7)	–	–
Dividends from taxable Canadian corporations	(2.6)	(6.4)	(5.3)
Lower tax rates on earnings of international subsidiaries	(2.5)	(5.7)	(4.1)
Federal large corporations tax	.4	.8	.6
Financial institutions temporary surcharge	.2	.5	.5
Other – net	.4	3.3	2.3
Effective income tax rate	26.7%	35.3%	37.1%

The net future tax asset which is reported in other assets comprises both assets and liabilities as follows:

(millions of dollars)	1999	1998
Future income tax assets		
Allowance for credit losses	**$ 225**	$ 202
Deferred income	**38**	50
Securities	**19**	157
Other	**33**	49
Total future income tax assets	**315**	458
Valuation allowance	**–**	–
Future income tax assets	**315**	458
Future income tax liabilities		
Premises and equipment	**(24)**	(19)
Pension fund	**(24)**	(37)
Other	**(31)**	(32)
Future income tax liabilities	**(79)**	(88)
Net future income tax asset	**$ 236**	$ 370

Earnings of certain international subsidiaries would be taxed only upon repatriation to Canada. The Bank has not recognized a future income tax liability for these undistributed earnings since it does not currently plan to repatriate them. If all international subsidiaries' undistributed earnings were repatriated, estimated taxes payable would be $174 million at October 31, 1999 (1998 – $144 million).

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

(millions of dollars)	1999		1998	
Consolidated balance sheet	**Carrying value**	**Estimated fair value**	Carrying value	Estimated fair value
Assets				
Securities	**$ 69,093**	**$ 69,487**	$ 49,719	$ 50,196
Loans	**87,485**	**86,401**	84,926	84,840
Liabilities				
Deposits	**140,386**	**140,406**	120,677	121,011
Subordinated notes	**3,217**	**3,176**	3,606	3,719

The aggregate of the estimated fair value amounts presented does not represent management's estimate of the underlying value of the Bank. Moreover, fair values disclosed represent estimates of value made at a specific point in time and may not be reflective of future fair values.

Fair values are based on the following methods of valuation and assumptions:

In the case of items which are short term in nature or contain variable rate features, fair value is considered to be equal to carrying value. These items are not listed above.

Details of the estimated fair value of derivative financial instruments are provided in Note 14.

The estimated fair value of securities is determined as the estimated market values reported in Note 2.

The estimated fair value of loans reflects changes in general interest rates which have occurred since the loans were originated and changes in the creditworthiness of individual borrowers. For fixed rate loans, estimated fair value is determined by discounting the expected future cash flows related to these loans at market interest rates for loans with similar credit risks.

The estimated fair value of term deposits is determined by discounting the contractual cash flows using interest rates currently offered for deposits with similar terms.

The estimated fair value of the subordinated notes is determined by reference to quoted market prices.

13 INTEREST RATE RISK

The following table sets out the assets, liabilities and off-balance sheet instruments on the date of the earlier of contractual maturity or repricing date. Use of this table to derive information about the Bank's interest rate risk position is limited by the fact that customers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. Examples of this include mortgages, which are shown at contractual maturity but which often prepay earlier, and certain term deposits, which are shown at contractual maturity but which are often cashed before their contractual maturity. Adjusting the total positions for expected prepayments and early withdrawals and reclassifying trading securities to the floating rate category in accordance with the way in which the Bank manages the risk, results in a change in the interest sensitive position within one year to $7.5 billion from the $(11.8) billion reported below as at October 31, 1999 (1998 – $(1.5) billion from $(20.8) billion).

Interest rate risk

(billions of dollars)

1999	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Assets								
Cash resources	$.9	$ 4.7	$.4	$ 6.0	$ –	$ –	$.2	$ 6.2
Effective yield		*5.3%*	*5.5%*					
Loans	$ 25.9	$ 20.5	$ 10.0	$ 56.4	$ 28.1	$ 2.5	$.5	$ 87.5
Effective yield		*6.3%*	*7.5%*		*6.6%*	*6.5%*		
Securities purchased under resale agreements	$ 7.5	$ 13.9	$ 4.1	$ 25.5	$ –	$.1	$.1	$ 25.7
Effective yield		*3.3%*	*5.1%*			*5.0%*		
Investment securities	$ 5.4	$ 4.2	$ 1.9	$ 11.5	$ 2.7	$ 1.3	$ 2.5	$ 18.0
Effective yield		*5.2%*	*5.4%*		*5.3%*	*5.7%*		
Trading securities	$ 2.9	$ 10.3	$ 6.2	$ 19.4	$ 8.2	$ 12.2	$ 11.3	$ 51.1
Effective yield		*5.1%*	*5.5%*		*5.8%*	*6.2%*		
Other	$ 19.0	$ –	$ –	$ 19.0	$ –	$ –	$ 6.9	$ 25.9
Total assets	**$ 61.6**	**$ 53.6**	**$ 22.6**	**$ 137.8**	**$ 39.0**	**$ 16.1**	**$ 21.5**	**$ 214.4**
Liabilities and shareholders' equity								
Deposits	$ 28.0	$ 61.7	$ 28.2	$ 117.9	$ 18.0	$ 1.4	$ 3.1	$ 140.4
Effective yield		*4.7%*	*4.6%*		*3.6%*	*1.9%*		
Subordinated notes	$ –	$.2	$.2	$.4	$ 1.8	$ 1.0	$ –	$ 3.2
Effective yield		*7.5%*	*5.9%*		*7.1%*	*8.8%*		
Obligations related to securities sold short	$.4	$.8	$ 2.0	$ 3.2	$ 2.5	$ 6.1	$ 3.2	$ 15.0
Effective yield		*5.2%*	*5.1%*		*5.9%*	*6.3%*		
Obligations related to securities sold under repurchase agreements	$.4	$ 10.1	$ 5.5	$ 16.0	$.1	$ –	$ 3.2	$ 19.3
Effective yield		*5.2%*	*5.0%*		*4.8%*			
Other	$ 17.5	$ –	$ –	$ 17.5	$ –	$ –	$ 7.5	$ 25.0
Shareholders' equity	$ –	$ –	$ –	$ –	$.5	$.3	$ 10.7	$ 11.5
Total liabilities and shareholders' equity	**$ 46.3**	**$ 72.8**	**$ 35.9**	**$ 155.0**	**$ 22.9**	**$ 8.8**	**$ 27.7**	**$ 214.4**
On-balance sheet position	**$ 15.3**	**$ (19.2)**	**$ (13.3)**	**$ (17.2)**	**$ 16.1**	**$ 7.3**	**$ (6.2)**	**$ –**
Total pay side instruments[1]	$ –	$ (17.2)	$ (8.3)	$ (25.5)	$ (14.0)	$ (3.2)	$ –	$ (42.7)
Effective yield		*4.9%*	*5.5%*		*5.5%*	*5.7%*		
Total receive side instruments[1]	$ –	$ 21.8	$ 9.1	$ 30.9	$ 10.3	$ 1.5	$ –	$ 42.7
Effective yield		*4.7%*	*5.5%*		*5.6%*	*5.2%*		
Off-balance sheet position	**$ –**	**$ 4.6**	**$.8**	**$ 5.4**	**$ (3.7)**	**$ (1.7)**	**$ –**	**$ –**
Net position	**$ 15.3**	**$ (14.6)**	**$ (12.5)**	**$ (11.8)**	**$ 12.4**	**$ 5.6**	**$ (6.2)**	**$ –**

[1] Notional principal amounts

Interest rate risk by currency

(billions of dollars)								
1999	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Canadian currency on-balance sheet position	$ (3.1)	$ (3.3)	$ (7.8)	$ (14.2)	$ 15.6	$ 1.6	$ (6.4)	$ (3.4)
Foreign currency on-balance sheet position	18.4	(15.9)	(5.5)	(3.0)	.5	5.7	.2	3.4
On-balance sheet position	**15.3**	**(19.2)**	**(13.3)**	**(17.2)**	**16.1**	**7.3**	**(6.2)**	**–**
Canadian currency off-balance sheet position	–	7.6	.2	7.8	(7.3)	(1.7)	–	(1.2)
Foreign currency off-balance sheet position	–	(3.0)	.6	(2.4)	3.6	–	–	1.2
Off-balance sheet position	**–**	**4.6**	**.8**	**5.4**	**(3.7)**	**(1.7)**	**–**	**–**
Net position	**$ 15.3**	**$ (14.6)**	**$ (12.5)**	**$ (11.8)**	**$ 12.4**	**$ 5.6**	**$ (6.2)**	**$ –**

Interest rate risk

(billions of dollars)								
1998	Floating rate	Within 3 months	3 months to 1 year	Total within 1 year	1 year to 5 years	Over 5 years	Non-interest sensitive	Total
Total assets	$ 53.4	$ 39.0	$ 19.5	$ 111.9	$ 38.8	$ 12.2	$ 18.9	$ 181.8
Total liabilities and shareholders' equity	56.3	47.1	33.7	137.1	18.6	7.2	18.9	181.8
On-balance sheet position	(2.9)	(8.1)	(14.2)	(25.2)	20.2	5.0	–	–
Off-balance sheet position	–	.3	4.1	4.4	(4.3)	(.1)	–	–
Net position	$ (2.9)	$ (7.8)	$ (10.1)	$ (20.8)	$ 15.9	$ 4.9	$ –	$ –

14 DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into derivative financial instruments, as described below, for trading and for risk management purposes.

Interest rate swaps involve the exchange of fixed and floating interest payment obligations based on a predetermined notional amount. Foreign exchange swaps involve the exchange of the principal and fixed interest payments in different currencies. Cross-currency interest rate swaps involve the exchange of both the principal amount and fixed and floating interest payment obligations in two different currencies.

Forward rate agreements are contracts fixing an interest rate to be paid or received on a notional amount of specified maturity commencing at a specified future date.

Foreign exchange forward contracts are commitments to purchase or sell foreign currencies for delivery at a specified date in the future at a fixed rate.

Futures are future commitments to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. Futures are traded in standardized amounts on organized exchanges and are subject to daily cash margining.

Options are agreements between two parties in which the writer of the option grants the buyer the future right, but not the obligation, to buy or to sell, at or by a specified date, a specific amount of a financial instrument at a price agreed when the option is arranged. The writer receives a premium for selling this instrument.

The Bank also transacts equity, commodity and credit derivatives in both the exchange and over-the-counter markets.

Notional principal amounts, upon which payments are based, are not indicative of the credit risk associated with derivative financial instruments.

Over-the-counter and exchange traded derivative financial instruments

(millions of dollars)						
	Trading					
Notional principal	Over-the-counter	Exchange traded	Total	Non-trading	**1999 Total**	1998 Total
Interest rate contracts						
Futures	$ –	$ 105,116	$ 105,116	$ –	**$ 105,116**	$ 87,212
Forward rate agreements	55,533	–	55,533	1,655	**57,188**	34,540
Swaps	420,532	–	420,532	46,647	**467,179**	274,983
Options written	34,046	4,524	38,570	221	**38,791**	33,010
Options purchased	30,179	7,507	37,686	465	**38,151**	37,327
Foreign exchange contracts						
Forward contracts	248,968	–	248,968	14,497	**263,465**	258,327
Swaps	6,847	–	6,847	–	**6,847**	5,700
Cross-currency interest rate swaps	49,909	–	49,909	9,211	**59,120**	50,609
Options written	6,802	–	6,802	–	**6,802**	18,584
Options purchased	7,238	–	7,238	–	**7,238**	18,251
Other contracts[1]	30,696	980	31,676	2,831	**34,507**	31,041
Total	$ 890,750	$ 118,127	$ 1,008,877	$ 75,527	**$1,084,404**	$ 849,584

[1] Includes equity, commodity and credit derivatives.

Derivative financial instruments by term to maturity

(millions of dollars)						
	Remaining term to maturity					
Notional principal	Within 1 year	1 to 3 years	3 to 5 years	Over 5 years	**1999 Total**	1998 Total
Interest rate contracts						
Futures	$ 88,144	$ 16,916	$ 56	$ –	**$ 105,116**	$ 87,212
Forward rate agreements	55,451	1,737	–	–	**57,188**	34,540
Swaps	247,912	84,076	57,106	78,085	**467,179**	274,983
Options written	7,832	17,929	9,074	3,956	**38,791**	33,010
Options purchased	23,642	7,948	4,584	1,977	**38,151**	37,327
Foreign exchange contracts						
Forward contracts	255,104	7,105	772	484	**263,465**	258,327
Swaps	2,088	966	1,119	2,674	**6,847**	5,700
Cross-currency interest rate swaps	7,305	13,608	17,766	20,441	**59,120**	50,609
Options written	3,108	3,011	682	1	**6,802**	18,584
Options purchased	6,376	844	15	3	**7,238**	18,251
Other contracts[1]	12,829	7,335	10,044	4,299	**34,507**	31,041
Total	$ 709,791	$ 161,475	$ 101,218	$ 111,920	**$1,084,404**	$ 849,584

[1] Includes equity, commodity and credit derivatives.

The Bank is exposed to market risk as a result of price volatility in the derivatives markets relating to movements in interest rates and foreign exchange rates. This risk is managed by senior officers responsible for the Bank's trading business and is monitored separately by the Bank's Risk Management Division.

The estimated fair value of exchange traded derivative financial instruments is based on quoted market rates plus or minus daily margin settlements. This results in minimal fair values as these instruments are effectively settled on a daily basis. The estimated fair value of over-the-counter derivative financial instruments is calculated as the net present value of contractual cash flows using prevailing market rates on underlying instruments with similar maturities and characteristics. The fair value for trading interest rate swaps including cross-currency interest rate swaps is determined net of a deferral which recognizes the need to cover the cost of capital, credit risk and administrative expenses over the life of the contract.

Fair value of derivative financial instruments

(millions of dollars)	1999				1998	
	Average[1] fair value for the year		Year-end fair value		Year-end fair value	
	Positive	Negative	Positive	Negative	Positive	Negative
Derivative financial instruments held or issued for trading purposes:						
Interest rate contracts						
Forward rate agreements	$ 14	$ 10	$ 16	$ 13	$ 14	$ 12
Swaps	5,208	4,438	5,007	3,950	5,779	5,244
Options written	–	418	–	436	–	499
Options purchased	385	–	357	–	422	–
Total interest rate contracts	5,607	4,866	5,380	4,399	6,215	5,755
Foreign exchange contracts						
Forward contracts	1,914	1,836	1,147	1,575	3,897	3,559
Swaps	235	140	242	102	217	192
Cross-currency interest rate swaps	1,692	1,682	1,854	1,750	1,811	1,811
Options written	–	100	–	48	–	149
Options purchased	171	–	79	–	303	–
Total foreign exchange contracts	4,012	3,758	3,322	3,475	6,228	5,711
Other contracts[2]	611	500	949	599	455	766
Fair value – trading	$ 10,230	$ 9,124	$ 9,651	$ 8,473	$ 12,898	$ 12,232
Derivative financial instruments held or issued for non-trading purposes:						
Interest rate contracts						
Forward rate agreements			$ –	$ –	$ –	$ –
Swaps			474	173	483	376
Options written			–	–	–	–
Options purchased			–	–	6	–
Total interest rate contracts			474	173	489	376
Foreign exchange contracts						
Forward contracts			758	774	709	687
Swaps			–	–	16	–
Cross-currency interest rate swaps			282	128	579	148
Total foreign exchange contracts			1,040	902	1,304	835
Other contracts[2]			5	1	–	–
Fair value – non-trading			1,519	1,076	1,793	1,211
Total fair value			$ 11,170	$ 9,549	$ 14,691	$ 13,443

[1] The average fair value of trading derivative financial instruments for the year ended October 31, 1998 was: Positive $9,077 million and Negative $8,046 million. Averages are calculated on a monthly basis.
[2] Includes equity, commodity and credit derivatives.

Credit risk on derivative financial instruments is the risk of a financial loss occurring as a result of a default of a counterparty on its obligation to the Bank. The treasury credit area is responsible for the implementation of and compliance with credit policies established by the Bank for the management of derivative credit exposures.

On the following schedule, the current replacement cost, which is the positive fair value of all outstanding derivative financial instruments, represents the Bank's maximum derivative credit exposure. The credit equivalent amount is the sum of the current replacement cost and the potential future exposure, which is calculated by applying factors supplied by the Office of the Superintendent of Financial Institutions Canada to the notional principal amount of the instruments. The risk-weighted amount is determined by applying standard measures of counterparty credit risk to the credit equivalent amount.

Credit exposure of derivative financial instruments at year end

(millions of dollars)	1999			1998		
	Current replacement cost[1]	**Credit equivalent amount**	**Risk-weighted amount**	Current replacement cost[1]	Credit equivalent amount	Risk-weighted amount
Interest rate contracts						
Forward rate agreements	**$ 16**	**$ 25**	**$ 6**	$ 14	$ 16	$ 4
Swaps	**5,481**	**7,349**	**1,806**	6,262	7,805	1,979
Options purchased	**336**	**429**	**110**	425	551	150
Total interest rate contracts	**5,833**	**7,803**	**1,922**	6,701	8,372	2,133
Foreign exchange contracts						
Forward contracts	**1,840**	**4,472**	**1,223**	4,529	7,034	2,825
Swaps	**242**	**568**	**177**	233	468	121
Cross-currency interest rate swaps	**2,136**	**5,311**	**1,292**	2,390	5,259	1,141
Options purchased	**47**	**154**	**53**	234	476	165
Total foreign exchange contracts	**4,265**	**10,505**	**2,745**	7,386	13,237	4,252
Other contracts[2]	**918**	**3,527**	**1,263**	450	2,854	895
Total derivative financial instruments	**$ 11,016**	**$ 21,835**	**$ 5,930**	$ 14,537	$ 24,463	$ 7,280
Less impact of master netting agreements and collateral	**5,419**	**8,746**	**2,327**	5,853	8,448	2,273
	$ 5,597	**$ 13,089**	**$ 3,603**	$ 8,684	$ 16,015	$ 5,007

[1] Exchange traded instruments and forward foreign exchange contracts maturing within 14 days are excluded in accordance with the guidelines of the Office of the Superintendent of Financial Institutions Canada. The total positive fair value of the excluded contracts at October 31, 1999 was $154 million (1998 – $154 million).
[2] Includes equity, commodity and credit derivatives.

15 CONTINGENT LIABILITIES AND COMMITMENTS

(a) In the normal course of business, the Bank enters into various off-balance sheet commitments and contingent liability contracts.

The credit instruments reported below represent the maximum amount of additional credit that the Bank could be obligated to extend should the contracts be fully utilized.

Credit instruments

(millions of dollars)	1999	1998
Guarantees and standby letters of credit	**$ 7,084**	$ 8,536
Documentary and commercial letters of credit	**1,329**	1,043
Commitments to extend credit[1]		
Original term to maturity of one year or less	**20,977**	21,206
Original term to maturity of more than one year	**29,731**	34,546
	$ 59,121	$ 65,331

[1] Consists of unused portions of commitments to extend credit in the form of loans, customers' liability under acceptances, guarantees and letters of credit.

(b) The premises and equipment net rental expense charged to net income for the year ended October 31, 1999 was $305 million (1998 – $280 million).

The Bank has obligations under long-term non-cancellable leases for premises and equipment. Future minimum operating lease commitments for equipment where the annual rental is in excess of $100 thousand and for premises are as follows:

(millions of dollars)	
2000	$ 155
2001	131
2002	98
2003	66
2004	52
2005 and thereafter	110
	$ 612

(c) The Bank and its subsidiaries are involved in various legal actions in the ordinary course of business, many of which are loan-related. In management's opinion, the ultimate disposition of these actions, individually or in the aggregate, will not have a material adverse effect on the financial condition of the Bank.

(d) In the ordinary course of business, securities and other assets are pledged against liabilities. As at October 31, 1999 securities and other assets with a carrying value of $32.5 billion (1998 – $21.2 billion) were pledged in respect of securities sold short or under repurchase agreements. In addition, as at October 31, 1999, assets with a carrying value of $3.5 billion (1998 – $3.1 billion) were deposited for the purposes of participation in clearing and payment systems and depositories or to have access to the facilities of central banks in foreign jurisdictions, or as security for contract settlements with derivative exchanges or other derivative counterparties.

(e) In the ordinary course of business, the Bank agrees to lend unpaid customer securities, or its own securities, to borrowers on a fully collateralized basis. Securities lent at October 31, 1999 amounted to $1 billion (1998 – $.8 billion).

16 CONCENTRATION OF CREDIT RISK

Concentration of credit risk exists where a number of borrowers or counterparties are engaged in similar activities, are located in the same geographic area or have comparable economic characteristics. Their ability to meet contractual obligations may be similarly affected by changing economic, political or other conditions. Management considers the following concentrations to be within acceptable limits.

On-balance sheet assets

Of the total loans outstanding at September 30, 1999, 71% were to borrowers in Canada, with the largest concentration in Ontario (39%), and 21% to borrowers in the United States. At September 30, 1998, loan concentration was 74% in Canada (including 40% in Ontario) and 17% in the United States. Of the total loans and customers' liability under acceptances, approximately 8% of the industry concentration related to media and communication (1998 – 9%). No other industry segment exceeded 5% of the total.

Off-balance sheet financial instruments

(a) Credit instruments

At October 31, 1999, the Bank had commitments and contingent liability contracts in the amount of $59,121 million (1998 – $65,331 million). Included are commitments to extend credit totalling $50,708 (1998 – $55,752), of which approximately 50% of the credit risk was in the United States (1998 – 56%), 37% in Canada (1998 – 30%), and 7% in the United Kingdom (1998 – 7%). Of the commitments to extend credit, approximately 26% of the industry concentration related to financial institutions (1998 – 21%), 18% related to media and communication (1998 – 16%), 11% related to utilities (1998 – 13%), 8% related to government (1998 – 9%), 6% related to automotive (1998 – 4%) and 5% related to oil and gas (1998 – 5%). No other industry segment exceeded 5% of the total.

(b) Derivative financial instruments

At October 31, 1999, the current replacement cost of derivative financial instruments amounted to $11,016 million (1998 – $14,537 million). Based on the location of the ultimate counterparty, 30% of this credit risk amount related to Europe excluding the United Kingdom (1998 – 23%), 29% to Canada (1998 – 32%), 25% to the United States (1998 – 27%), and 9% to the United Kingdom (1998 – 9%). The largest concentration by counterparty type was with other financial institutions, which accounted for 81% of the total (1998 – 78%). No other industry segment exceeded 5% of the total.

17 RELATED PARTY TRANSACTIONS

The Bank makes loans to its officers, employees and directors and their affiliates. The amounts outstanding are as follows:

(millions of dollars)	1999	1998
Mortgage loans	$ 818	$ 794
Other loans	607	648

18 SEGMENTED INFORMATION

The Bank's operations and activities are organized around its retail and wholesale customer bases. The retail businesses are Personal and Commercial Banking and Wealth Management Services, and the wholesale business is TD Securities. Residual unallocated revenues and expenses are included in Other.

Personal and Commercial Banking provides financial services to consumers and small and medium-sized businesses. Wealth Management Services provides global discount brokerage services, mutual funds and investment management.

TD Securities provides a full range of services, including investment banking, merchant banking, mergers and acquisitions, fixed income, foreign exchange, derivative products, high yield, money market, equities, and corporate banking.

Results of each segment reflect revenues, expenses, assets and liabilities generated by the businesses in that segment. Transfer pricing of funds sold or purchased, and of commissions for services provided are generally at market rates. The Bank measures the performance of each segment based on net income and return on equity.

Results by business segment

(millions of dollars)					
1999	Personal and Commercial Banking	Wealth Management Services[1]	TD Securities	Other	Total
Net interest income (on a taxable equivalent basis)	**$ 2,088**	**$ 316**	**$ 820**	**$ (51)**	**$ 3,173**
Taxable equivalent adjustment	**–**	**–**	**(170)**	**(22)**	**(192)**
Provision for credit losses	**103**	**–**	**76**	**96**	**275**
Other income	**1,118**	**2,058**	**1,614**	**19**	**4,809**
Gain on sale of TD Waterhouse Group, Inc.	**–**	**1,122**	**–**	**–**	**1,122**
Non-interest expenses	**2,233**	**1,241**	**1,035**	**52**	**4,561**
Income before provision for income taxes and non-controlling interest	**870**	**2,255**	**1,153**	**(202)**	**4,076**
Provision for income taxes	**374**	**475**	**392**	**(151)**	**1,090**
Non-controlling interest	**–**	**5**	**–**	**–**	**5**
Net income	**$ 496**	**$ 1,775**	**$ 761**	**$ (51)**	**$ 2,981**
Average assets	**$ 61,000**	**$ 7,200**	**$ 127,400**	**$ 17,961**	**$ 213,561**
1998					
Net interest income (on a taxable equivalent basis)	$ 2,151	$ 207	$ 1,029	$ (247)	$ 3,140
Taxable equivalent adjustment	–	–	(196)	(3)	(199)
Provision for credit losses	158	–	92	200	450
Other income	978	888	1,216	115	3,197
Non-interest expenses	2,163	854	981	(42)	3,956
Income before provision for income taxes	808	241	976	(293)	1,732
Provision for income taxes	350	126	299	(164)	611
Net income	$ 458	$ 115	$ 677	$ (129)	$ 1,121
Average assets	$ 57,500	$ 3,600	$ 115,300	$ 14,200	$ 190,600
1997					
Net interest income (on a taxable equivalent basis)	$ 2,105	$ 127	$ 872	$ (121)	$ 2,983
Taxable equivalent adjustment	–	–	(161)	–	(161)
Provision for credit losses	90	3	67	200	360
Other income	864	643	1,041	102	2,650
Non-interest expenses	2,052	572	726	33	3,383
Income before provision for income taxes	827	195	959	(252)	1,729
Provision for income taxes	361	110	293	(123)	641
Net income	$ 466	$ 85	$ 666	$ (129)	$ 1,088

[1] Wealth Management Services non-interest expenses include goodwill amortization of $51 million in 1999 (1998 – $68 million; 1997 – $57 million).

Geographic distribution of revenue

The Bank earns revenue in Canada, the United States and other international locations. Reporting is based on the geographic location of the unit responsible for recording the revenue.

Revenue (on a taxable equivalent basis)

(millions of dollars)	1999	1998	1997
Canada	**$ 4,772**	$ 4,531	$ 4,437
United States	**2,752**	1,377	915
Other international	**458**	429	281
Total[1]	**$ 7,982**	$ 6,337	$ 5,633

[1] Excludes gain on sale of TD Waterhouse Group, Inc. in 1999.

19 YEAR 2000

The Year 2000 issue refers to concerns that computer and other electronic systems will not correctly interpret dates in the next century, possibly resulting in errors. If not properly addressed, the Bank's ability to conduct normal business activities could be affected.

The Bank has undertaken an extensive program to ensure its computer systems will be ready for the Year 2000 in advance of January 1, 2000. The Bank also has a program in place to ensure that if corrected systems are subsequently changed, they remain Year 2000 ready. In addition, the Bank has in place business continuity plans, which have been reinforced in anticipation of the Year 2000 transition.

The impact of the Year 2000 issue on the Bank will also depend on the readiness of other entities, such as customers, suppliers, or other counterparties, as well as any entity providing data to, receiving data from, or processing data for the Bank. The Year 2000 readiness of the Bank's borrowers may also increase credit risk, which may give rise to increases in impaired loans, or provisions for credit losses.

While the Bank is not currently aware of any Year 2000 issues that would have a material adverse effect on its operations, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Bank, including those related to the efforts of such customers, suppliers, or other counterparties, will be fully resolved.

20 PROPOSED ACQUISITION OF CT FINANCIAL SERVICES INC.

On August 3, 1999, the Bank entered into a binding agreement with British American Tobacco Plc (BAT) to make a takeover bid to acquire all of the shares of CT Financial Services Inc. (CT) for $7,998 million in the aggregate, or $67 per share, payable by means of cash payment at closing. On the same date, BAT entered into a binding agreement with Imasco Limited (Imasco), its 42% owned affiliate, that, subject to Imasco shareholder approval and other matters, will result in BAT acquiring control of Imasco and the deposit of Imasco's 98.2% interest in CT to the Bank's takeover bid for CT.

The transaction is expected to close by early February 2000, subject to regulatory and Imasco shareholder approval. The transaction will be accounted for using the purchase method and the excess of the purchase price over the estimated fair value of the net tangible assets acquired will be allocated firstly to identifiable intangible assets and the residual excess to goodwill.

The cash for the acquisition is expected to be obtained as follows:

(millions of dollars)	
Issue of common shares	$ 700
Issue of preferred shares and other capital instruments	1,300
Wholesale deposits	6,065
Less: estimated fees and expenses	(67)
	$ 7,998

21 TD WATERHOUSE GROUP, INC.

During 1999 TD Waterhouse Group, Inc. (TD Waterhouse), an indirect wholly-owned subsidiary of the Bank, completed an initial public offering of 43.4 million shares of its common stock in Canada, the United States and internationally, at a price of US$24 per share, for total gross proceeds of US$1,042 million. As a result of the offering, the Bank holds approximately 88.5% of the outstanding shares of common stock of TD Waterhouse. A gain of $1,122 million was realized by the Bank in respect of the shares sold. The gain realized was not subject to income taxes as the public offering was effected by TD Waterhouse issuing new shares from treasury.

TD Waterhouse is a global discount broker which provides investing services and related financial products through a variety of delivery channels including the internet and other electronic channels as well as an extensive network of branches and service centres.

22 RECONCILIATION OF CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements of the Bank are prepared in accordance with accounting principles generally accepted in Canada, including the accounting requirements of the Superintendent of Financial Institutions Canada (Canadian GAAP).

Differences at October 31 between Canadian GAAP and accounting principles generally accepted in the United States (U.S. GAAP) are described below.

Net income

(millions of dollars)	1999	1998	1997
Net income based on Canadian GAAP	$ 2,981	$ 1,121	$ 1,088
Stock-based compensation	(130)	(13)	(104)
Post-employment and post-retirement benefits	(11)	(8)	(7)
Gains on asset securitizations	9	26	11
Non-controlling interest in TD Mortgage Investment Corporation	(12)	(11)	–
Net income based on U.S. GAAP	2,837	1,115	988
Preferred dividends	31	34	31
Net income applicable to common shares based on U.S. GAAP	$ 2,806	$ 1,081	$ 957
Basic and diluted earnings per common share – U.S. GAAP	$ 4.68	$ 1.82	$ 1.60
– Canadian GAAP	4.90	1.81	1.77

Shareholders' equity

(millions of dollars)	1999	1998
Shareholders' equity based on Canadian GAAP	$ 11,533	$ 8,533
Stock-based compensation	(179)	(86)
Post-employment and post-retirement benefits	(42)	(31)
Net unrealized gains on available for sale securities, net of income taxes	250	285
Non-controlling interest in TD Mortgage Investment Corporation	(350)	(350)
Gains on asset securitizations	46	37
Shareholders' equity based on U.S. GAAP	$ 11,258	$ 8,388

Consolidated statement of comprehensive income

(millions of dollars)	1999	1998	1997
Net income based on U.S. GAAP	$ 2,837	$ 1,115	$ 988
Change in net unrealized gains on available for sale securities, net of income taxes	(35)	(110)	269
Change in unrealized foreign currency translation gains and losses, net of income taxes	(161)	294	132
Comprehensive income	$ 2,641	$ 1,299	$ 1,389

Stock-based compensation

During 1997, the Bank's employee stock option plan administration was modified to allow option holders to elect to receive cash for the options equal to their intrinsic value, being the difference between the option exercise price and the current market value of the shares. In accounting for stock options with this feature, U.S. GAAP requires expensing the annual change in the intrinsic value of the stock options. For options that have not fully vested, the change in intrinsic value is amortized over the remaining vesting period. Under Canadian GAAP, no expenses are recorded and cash payments to option holders are charged to retained earnings on a net of tax basis.

Post-employment and post-retirement benefits

U.S. GAAP requires the accrual of the cost of post-employment and post-retirement benefits other than pensions. Under current Canadian GAAP, the costs are expensed as paid.

Net unrealized gains on investment securities

Under U.S. GAAP, the Bank accounts for all investment account securities as "available for sale" and reports them at estimated fair value with unrealized gains and losses reported net of taxes in a separate component of shareholders' equity. Under Canadian GAAP, investment account securities are carried at cost or amortized cost, with gains or losses only recognized when sold.

Non-controlling interest

Under U.S. GAAP, preferred shares of the Bank's subsidiary, TD Mortgage Investment Corporation, are presented as a non-controlling interest on the consolidated balance sheet, and the net income applicable to the non-controlling interest is presented separately on the consolidated statement of income. Under Canadian GAAP, these preferred shares are included within the total preferred shares presented on the consolidated balance sheet.

Gains on asset securitizations

U.S. GAAP requires gains on asset securitizations to be recognized immediately. Under Canadian GAAP, gains are recognized only when received in cash by the Bank.

23 FUTURE ACCOUNTING CHANGES

The effective dates noted below are the dates on which new accounting standards must be implemented. Earlier implementation is permitted and the Bank will assess each standard separately to determine the year of adoption.

Employees' future benefits

A new accounting standard has been issued in Canada effective for fiscal 2001. The standard will require recognition, on an accrual basis, of the cost of all benefits that will be paid to or on behalf of employees, including post-retirement benefits, post-employment benefits, compensated absences and termination benefits. Current methods permit the recognition of the related expense (other than pension expense) on a cash basis rather than an accrual basis. The total unrecognized liability for these benefits is estimated to be approximately $87 million after tax. The standard permits the change to be accounted for retroactively through retained earnings or prospectively through an annual charge to income over the average remaining service life of the employee group. The Bank expects to implement the new standard retroactively in fiscal 2001.

Derivative instruments and hedging activities

A new U.S. accounting standard on derivative instruments and hedging activities is effective for fiscal 2001. The standard requires that all derivative instruments be reported on the consolidated balance sheet at their fair values, with changes in the fair value for derivatives that are not hedges reported through the consolidated statement of income. The changes in the fair value of derivatives that are hedges will be reported either through the consolidated statement of comprehensive income until the hedged item is recognized in earnings, or through the consolidated statement of income, depending on the nature of the hedge. The changes recommended by this standard are currently being reviewed to determine their impact on the Bank.

Business combinations

New, harmonized proposals on accounting for business combinations were recently issued in Canada and the United States. Under these proposals, all business combinations occurring after the effective date will be accounted for by the purchase method, and the pooling of interests method of accounting will no longer be permitted. If the new standards are adopted without modification, the accounting requirements for business combinations will be the same in Canada and the U.S., thereby eliminating a significant difference between current Canadian and U.S. GAAP. The portion of the proposed Canadian standard which permits the presentation of net income excluding goodwill expense is effective for fiscal 1999. The U.S. proposal does not permit a similar treatment for U.S. GAAP in fiscal 1999.

Principal subsidiaries

(thousands of dollars)		
Canadian	Head office	Book value of all shares owned by the Bank
First Nations Bank of Canada (89%)	Saskatoon, Canada	$ 8,000
TD Asset Finance Corp.	Toronto, Canada	–
TD Asset Management Inc.	Toronto, Canada	1,975
TD Capital Group Limited	Toronto, Canada	297,021
TD Factors Limited	Toronto, Canada	–
TD Futures Inc.	Toronto, Canada	–
TD Investment Management Inc.	Toronto, Canada	–
TD Mortgage Corporation	Toronto, Canada	478,003
TD Mortgage Investment Corporation	Calgary, Canada	87,500
TD Pacific Mortgage Corporation	Toronto, Canada	102,000
TD Securities Inc.	Toronto, Canada	160,018
TD Trust Company	Toronto, Canada	20,000
Toronto Dominion General Insurance Company	Toronto, Canada	10,007
Toronto Dominion Life Insurance Company	Toronto, Canada	10,000
TD Realty Limited	Toronto, Canada	77,235
United States		
Toronto-Dominion Holdings (U.S.A.), Inc.	Houston, U.S.A.	537,025
TD Securities (USA) Inc.	New York, U.S.A.	
Toronto Dominion Capital (U.S.A.), Inc.	New York, U.S.A.	
Toronto Dominion Investments, Inc.	Houston, U.S.A.	
Toronto Dominion (New York), Inc.	New York, U.S.A.	
Toronto-Dominion (Texas), Inc.	Houston, U.S.A.	
TD Waterhouse Holdings, Inc.	New York, U.S.A.	1,591,134
TD Waterhouse Bank, N.A.	New Jersey, U.S.A.	
Waterhouse Mortgage Services, Inc.	New Jersey, U.S.A.	
TD Waterhouse Group, Inc. (88.5%)[1]	New York, U.S.A.	
Marketware International Inc.	New Jersey, U.S.A.	
National Investor Services Corp.	New York, U.S.A.	
TD Waterhouse Holdings (Australia) Pty Ltd.	Sydney, Australia	
Green Line Investor Services Limited	Sydney, Australia	
TD Waterhouse Advertising, Inc.	New York, U.S.A.	
TD Waterhouse Investor Services (Canada) Inc.	Toronto, Canada	
TD Waterhouse Investor Services (Hong Kong) Inc.	Toronto, Canada	
TD Waterhouse Investor Services (Hong Kong) Limited	Hong Kong, HK	
TD Waterhouse Securities Services (Hong Kong) Limited	Hong Kong, HK	
TD Waterhouse Investor Services (UK) Limited	London, England	
TD Waterhouse Investor Services (Europe) Limited	London, England	
TD Waterhouse Asset Management, Inc.	New York, U.S.A.	
TD Waterhouse Investor Services, Inc.	New York, U.S.A.	
Other foreign		
TD Ireland	Shannon, Ireland	200,000
TD Global Finance	Dublin, Ireland	
TD Reinsurance (Barbados) Inc.	St. Michael, Barbados	5,200
Toronto Dominion Australia Limited	Melbourne, Australia	52,440
Toronto Dominion Securities Pty. Limited	Melbourne, Australia	
Toronto Dominion International Inc.	St. Michael, Barbados	199,084
TD Trust (Bermuda) Limited	Hamilton, Bermuda	
Toronto Dominion Investments B.V.	Amsterdam, The Netherlands	849,318
Toronto Dominion Bank Europe Limited	London, England	
Toronto Dominion Holdings (U.K.) Limited	London, England	
Toronto Dominion Investments Limited	London, England	
Toronto Dominion (South East Asia) Limited	Singapore, Singapore	576,011

Unless otherwise noted, the Bank, either directly or through its subsidiaries, owns 100% of the issued and outstanding voting shares of the companies listed.

[1] TD Waterhouse Group, Inc., either directly or indirectly, owns 100% of the issued and outstanding voting shares of its subsidiaries.

Reported quarterly results

	1999				1998			
				Quarter ended				Quarter ended
	October 31	July 31	April 30	January 31	October 31	July 31	April 30	January 31
(millions of dollars)								
Net interest income (TEB)	$ 804	$ 779	$ 752	$ 838	$ 774	$ 784	$ 772	$ 810
Provision for credit losses	–	25	75	175	62	263	62	63
Net interest income after credit loss provision	804	754	677	663	712	521	710	747
Other income	1,046	1,065	1,044	937	657	1,005	828	707
Net interest and other income before special gains	1,850	1,819	1,721	1,600	1,369	1,526	1,538	1,454
Special gains[1]	758	1,082	–	–	–	–	–	–
Net interest and other income	2,608	2,901	1,721	1,600	1,369	1,526	1,538	1,454
Non-interest expenses excluding non-cash goodwill/intangible charges	1,192	1,132	1,126	1,058	1,011	1,022	975	880
Net income before provision for income taxes	1,416	1,769	595	542	358	504	563	574
Imputed income taxes on grossed-up income	553	283	237	219	114	207	248	247
Net income before non-controlling interest in subsidiary	863	1,486	358	323	244	297	315	327
Non-controlling interest in net income of subsidiary	3	2	–	–	–	–	–	–
Net income – cash basis[2]	$ 860	$ 1,484	$ 358	$ 323	$ 244	$ 297	$ 315	$ 327
Preferred dividends	11	10	11	11	12	12	10	11
Net income applicable to common shares – cash basis	$ 849	$ 1,474	$ 347	$ 312	$ 232	$ 285	$ 305	$ 316
Non-cash goodwill/intangible charges – tax effected	12	11	10	11	10	10	8	34
Net income applicable to common shares – accrual basis	$ 837	$ 1,463	$ 337	$ 301	$ 222	$ 275	$ 297	$ 282
Per common share								
Net income – cash basis[2]	$ 1.39	$ 2.48	$.58	$.53	$.39	$.48	$.52	$.53
Net income – cash basis excluding special gains[1]	.62	.66	.58	.53	.39	.48	.52	.53
Dividends	.19	.19	.17	.17	.17	.17	.16	.16
Cash return on common shareholders' equity[2]	33.5%	68.4%	18.2%	16.0%	12.2%	15.5%	17.8%	18.3%
Cash return on common shareholders' equity excluding special gains[1]	14.9	18.2	18.2	16.0	12.2	15.5	17.8	18.3
(billions of dollars)								
Average earning assets	$ 192	$ 190	$ 181	$ 181	$ 178	$ 165	$ 155	$ 146
Average total assets	217	217	209	212	208	197	184	173
Net interest income (TEB) as a % of:								
Average earning assets	1.66%	1.63%	1.70%	1.84%	1.72%	1.88%	2.04%	2.21%
Average total assets	1.47	1.43	1.48	1.57	1.47	1.58	1.72	1.86

[1] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.
[2] For definition of cash basis measurements, see table 3 on page 29.

Ten-year statistical review

(millions of dollars)		1999	1998	1997
Consolidated balance sheet	**Assets**			
	Cash resources	**$ 6,226**	$ 3,079	$ 7,587
	Securities purchased under resale agreements	**25,708**	12,291	23,321
	Securities	**69,093**	49,719	33,422
	Loans	**56,002**	52,671	49,260
	Residential mortgages	**31,483**	32,255	30,442
	Customers' liability under acceptances	**9,040**	9,948	7,036
	Land, buildings, equipment and other assets	**16,865**	21,868	12,784
	Total	**$214,417**	$181,831	$163,852
	Liabilities			
	Deposits – personal	**$ 52,774**	$ 47,693	$ 44,044
	– other	**87,612**	72,984	66,582
	Acceptances	**9,040**	9,948	7,036
	Obligations related to securities sold short	**15,044**	13,034	9,640
	Obligations related to securities sold under repurchase agreements	**19,241**	8,421	15,199
	Other liabilities	**15,621**	17,612	10,657
		199,332	169,692	153,158
	Subordinated notes	**3,217**	3,606	3,391
	Non-controlling interest in subsidiary	**335**	–	–
	Shareholders' equity			
	Capital stock – preferred	**833**	845	546
	– common	**2,006**	1,301	1,297
	Retained earnings	**8,694**	6,387	5,460
		11,533	8,533	7,303
	Total	**$214,417**	$181,831	$163,852
Consolidated statement of income[1]	Interest income	**$ 10,874**	$ 9,997	$ 7,826
	Interest expense	**7,893**	7,056	5,004
	Net interest income	**2,981**	2,941	2,822
	Provision for credit losses	**275**	450	360
	Net interest income after credit loss provision	**2,706**	2,491	2,462
	Other income			
	Investment and securities services	**1,721**	1,217	952
	Credit fees	**463**	403	352
	Net investment securities gains	**362**	386	329
	Trading income	**679**	298	270
	Service charges	**289**	283	268
	Card services	**190**	180	165
	Other	**388**	430	314
		4,092	3,197	2,650
	Net interest and other income before special gains	**6,798**	5,688	5,112
	Special gains[2]	**1,840**	–	–
	Net interest and other income	**8,638**	5,688	5,112
	Non-interest expenses			
	Salaries and staff benefits	**2,483**	2,167	1,826
	Occupancy including depreciation	**373**	344	313
	Equipment including depreciation	**395**	335	270
	Restructuring	**–**	–	–
	Other	**1,257**	1,042	917
	Non-interest expenses excluding non-cash goodwill/intangible charges	**4,508**	3,888	3,326
	Net income before provision for income taxes	**4,130**	1,800	1,786
	Provision for income taxes	**1,100**	617	641
	Net income before non-controlling interest in subsidiary	**3,030**	1,183	1,145
	Non-controlling interest in net income of subsidiary	**5**	–	–
	Net income – cash basis	**3,025**	1,183	1,145
	Preferred dividends	**43**	45	31
	Net income applicable to common shares – cash basis	**$ 2,982**	$ 1,138	$ 1,114
	Non-cash goodwill/intangible charges – tax-effected	**44**	62	57
	Net income applicable to common shares – accrual basis	**$ 2,938**	$ 1,076	$ 1,057

1996	1995	1994	1993	1992	1991	1990	Ten-year growth rate
$ 5,216	$ 4,351	$ 3,148	$ 1,791	$ 2,523	$ 2,129	$ 1,149	17
13,063	6,363	2,736	1,537	457	–	–	100+
24,224	22,128	19,310	13,140	10,852	7,380	4,882	30
43,767	39,968	40,945	37,041	35,527	35,591	36,797	5
28,624	26,327	25,180	24,002	18,252	16,577	15,311	9
6,411	6,297	4,809	4,166	3,960	5,686	7,009	3
8,992	9,911	3,631	3,334	2,562	1,542	1,752	28
$130,297	$115,345	$ 99,759	$ 85,011	$ 74,133	$ 68,905	$ 66,900	13
$ 43,546	$ 41,551	$ 41,181	$ 40,394	$ 30,513	$ 29,661	$ 28,224	7
44,017	39,580	39,282	27,345	29,178	25,012	23,859	14
6,411	6,297	4,809	4,166	3,960	5,686	7,009	3
6,363	6,098	1,604	1,131	551	392	526	55
11,807	3,627	2,033	1,423	599	439	–	100+
9,139	9,735	2,901	3,357	2,757	2,012	1,716	25
121,283	106,888	91,810	77,816	67,558	63,202	61,334	13
2,335	2,404	2,510	2,179	1,560	825	852	18
–	–	–	–	–	–	–	100+
534	535	397	408	456	496	552	4
1,305	882	879	877	877	877	877	9
4,840	4,636	4,163	3,731	3,682	3,505	3,285	11
6,679	6,053	5,439	5,016	5,015	4,878	4,714	10
$130,297	$115,345	$ 99,759	$ 85,011	$ 74,133	$ 68,905	$ 66,900	13
$ 7,322	$ 7,266	$ 5,814	$ 5,385	$ 5,229	$ 6,326	$ 6,855	5
4,855	4,888	3,363	3,122	3,134	4,288	4,927	6
2,467	2,378	2,451	2,263	2,095	2,038	1,928	5
152	180	345	600	543	485	353	2
2,315	2,198	2,106	1,663	1,552	1,553	1,575	5
440	267	230	149	90	67	59	40
312	289	243	178	171	176	216	8
103	92	32	(60)	1	16	10	17
186	150	129	119	84	106	118	26
260	251	240	231	228	220	202	5
150	133	87	109	96	93	89	9
298	279	218	214	187	156	165	9
1,749	1,461	1,179	940	857	834	859	17
4,064	3,659	3,285	2,603	2,409	2,387	2,434	11
–	–	–	–	–	–	–	100+
4,064	3,659	3,285	2,603	2,409	2,387	2,434	13
1,452	1,305	1,221	1,061	971	923	896	11
283	283	276	266	237	215	194	8
237	216	179	163	154	142	124	13
–	–	–	140	–	–	–	–
682	609	533	535	412	356	335	15
2,654	2,413	2,209	2,165	1,774	1,636	1,549	12
1,410	1,246	1,076	438	635	751	885	15
496	452	393	163	227	254	289	13
914	794	683	275	408	497	596	16
–	–	–	–	–	–	–	100+
914	794	683	275	408	497	596	16
32	38	40	29	32	44	53	2
$ 882	$ 756	$ 643	$ 246	$ 376	$ 453	$ 543	16
–	–	–	–	–	–	–	100+
$ 882	$ 756	$ 643	$ 246	$ 376	$ 453	$ 543	16

[1] Commencing in 1997 the Bank adopted cash basis measurements. See table 3 on page 29 for definition.

[2] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark.

(millions of dollars)			1999	1998	1997
Consolidated statement of changes in shareholders' equity		**Common shares**			
		Balance at beginning of year	**$ 1,301**	$ 1,297	$ 1,305
		Shares issued	**705**	4	22
		Shares purchased for cancellation	**–**	–	(30)
		Balance at end of year	**2,006**	1,301	1,297
		Retained earnings			
		Balance at beginning of year	**6,387**	5,460	4,840
		Net income	**2,981**	1,121	1,088
		Preferred dividends	**(43)**	(45)	(31)
		Common dividends	**(433)**	(392)	(335)
		Translation adjustments, net of income taxes	**(149)**	270	120
		Shares purchased for cancellation	**–**	–	(222)
		Stock options settled in cash, net of income taxes	**(37)**	(25)	(6)
		Other	**(12)**	(2)	6
		Balance at end of year	**8,694**	6,387	5,460
		Total common equity	**10,700**	7,688	6,757
		Preferred shares			
		Balance at beginning of year	**845**	546	534
		Proceeds from share issues	**–**	350	–
		Share redemptions	**–**	(75)	–
		Translation adjustment on shares issued in a foreign currency	**(12)**	24	12
		Balance at end of year	**833**	845	546
		Total equity	**$ 11,533**	$ 8,533	$ 7,303
Other statistics[1]					
Per common share[2]	**1**	Net income – cash basis	**$ 4.98**	$ 1.92	$ 1.87
	2	Net income – cash basis excluding special gains[3]	**2.39**	1.92	1.87
	3	Dividends	**.72**	.66	.56
	4	Book value	**17.25**	12.94	11.38
	5	Closing market price	**33.75**	22.95	25.83
	6	Closing market price to book value	**1.96**	1.77	2.27
	7	Closing market price appreciation	**47.1%**	(11.1)%	64.8%
	8	Total market return	**50.2**	(8.6)	68.3
Performance ratios	**9**	Cash return on common shareholders' equity	**34.8%**	15.9%	17.4%
	10	Cash return on common shareholders' equity excluding special gains[3]	**16.7**	15.9	17.4
	11	Return on assets	**1.40**	.59	.74
	12	Efficiency ratio[4]	**62.6**	63.8	61.2
	13	Net interest rate margin (TEB)	**1.70**	1.95	2.35
	14	Common dividend payout ratio – cash basis excluding special gains[3]	**30.3**	34.4	30.0
	15	Dividend yield[5]	**2.1**	2.4	2.7
	16	Price earnings ratio – cash basis excluding special gains[3]	**14.1**	11.9	13.8
Asset quality	**17**	Net impaired loans as a % of net loans[6]	**(.3)%**	(.3)%	(.1)%
	18	Net impaired loans as a % of common equity	**(2.4)**	(3.4)	(1.2)
	19	Provision for credit losses as a % of net average loans[6]	**.28**	.48	.43
	20	Average total assets	**$213,561**	$190,600	$146,397
Capital ratios	**21**	Tier 1 capital to risk-weighted assets	**10.1%**	7.2%	6.6%
	22	Total capital to risk-weighted assets	**13.3**	11.0	10.2
	23	Common equity to total assets	**5.0**	4.2	4.1
Other	**24**	Number of common shares outstanding (thousands)[2]	**620,343**	594,238	593,892
	25	Market capitalization (millions)	**$ 20,937**	$ 13,638	$ 15,337
	26	Number of employees	**30,636**	29,236	28,001
	27	Number of retail bank outlets[7]	**918**	931	928
	28	Number of retail brokerage offices	**269**	254	198
	29	Number of Green Machines	**2,164**	2,124	2,038

1996	1995	1994	1993	1992	1991	1990
$ 882	$ 879	$ 877	$ 877	$ 877	$ 877	$ 877
471	3	2	–	–	–	–
(48)	–	–	–	–	–	–
1,305	882	879	877	877	877	877
4,636	4,163	3,731	3,682	3,505	3,285	2,966
914	794	683	275	408	497	596
(32)	(38)	(40)	(29)	(32)	(44)	(53)
(302)	(265)	(238)	(229)	(229)	(229)	(229)
(8)	(13)	44	26	30	(16)	4
(375)	–	–	–	–	–	–
–	–	–	–	–	–	–
7	(5)	(17)	6	–	12	1
4,840	4,636	4,163	3,731	3,682	3,505	3,285
6,145	5,518	5,042	4,608	4,559	4,382	4,162
535	397	408	456	496	552	554
–	225	234	–	–	75	–
–	(85)	(248)	(48)	(40)	(131)	(2)
(1)	(2)	3	–	–	–	–
534	535	397	408	456	496	552
$ 6,679	$ 6,053	$ 5,439	$ 5,016	$ 5,015	$ 4,878	$ 4,714
$ 1.48	$ 1.25	$ 1.07	$.41	$.62	$.75	$.90
1.48	1.25	1.07	.41	.62	.75	.90
.50	.44	.39	.38	.38	.38	.38
10.15	9.16	8.37	7.65	7.57	7.28	6.91
15.68	11.88	10.25	10.50	9.07	9.25	7.69
1.54	1.30	1.22	1.37	1.20	1.27	1.11
32.0%	15.9%	(2.4)%	15.9%	(2.0)%	20.3%	(28.1)%
36.2	20.1	1.4	20.1	2.1	25.3	(24.5)
15.4%	14.3%	13.3%	5.4%	8.4%	10.6%	13.5%
15.4	14.3	13.3	5.4	8.4	10.6	13.5
.78	.72	.72	.34	.58	.72	.90
61.0	60.2	59.6	59.2	57.6	54.2	52.4
2.53	2.65	2.95	3.14	3.48	3.58	3.63
34.3	35.1	37.0	93.0	60.9	50.5	42.1
3.7	4.0	3.8	4.2	4.1	4.9	3.6
10.6	9.5	9.6	25.7	14.5	12.3	8.5
.4%	1.0%	1.0%	1.9%	2.8%	2.3%	1.4%
5.6	12.8	14.4	26.5	34.8	31.0	20.4
.20	.23	.48	.91	.94	.81	.60
$117,029	$109,968	$ 95,320	$ 82,026	$ 70,343	$ 68,992	$ 66,468
6.8%	7.4%	6.9%	6.7%	7.4%	7.2%	6.5%
9.3	10.3	10.2	9.7	9.9	8.7	8.2
4.9	5.1	5.1	5.4	6.2	6.4	6.2
605,406	602,806	602,402	602,180	602,180	602,180	602,180
$ 9,490	$ 7,158	$ 6,175	$ 6,323	$ 5,459	$ 5,570	$ 4,631
26,815	25,413	25,767	25,603	23,514	24,003	24,560
961	964	976	978	907	908	910
157	54	41	–	–	–	–
1,991	1,966	1,891	1,858	1,663	1,290	991

[1] Commencing in 1997 the Bank adopted cash basis measurements. See table 3 on page 29 for definition.
[2] Adjusted to reflect the one-for-one stock dividend paid on July 31, 1999.
[3] Gain on sale of TD Waterhouse Group, Inc. and Knight/Trimark in 1999.
[4] Efficiency ratio excluding non-cash charges and one-time gains.
[5] Dividends paid during the year divided by average of high and low common share prices for the year. Yield for 1994 and prior based on dividends paid in the year divided by the opening stock price.
[6] Includes customers' liability under acceptances.
[7] Includes trust offices.

CORPORATE GOVERNANCE PRACTICES

TD's Board of Directors and management have established corporate governance practices that are appropriate for one of the world's leading financial institutions. The Board of Directors oversees the management of the business and affairs of the Bank. The Board's duties and objectives are to protect the assets of the Bank and assure its viability, to enhance profitability and facilitate the development of business, and to ensure the effective operation of the Bank. Each Director is accountable to the shareholders and the other Directors.

The Board makes all major policy decisions for the Bank, including those set out below. Many Board functions are carried out by the four committees of the Board. The Board and its committees perform these main functions:

- monitoring the effectiveness of the Bank's corporate governance practices and approving any necessary changes;
- approving Bank strategies and overseeing their implementation;
- setting performance objectives and monitoring results;
- approving compensation for senior officers and compensation policies for the Bank;
- approving operating and capital budgets, and specific requests for major capital expenditures;
- overseeing the proper management of business risks;
- ensuring proper financial reporting and financial control systems are operating, and approving the quality and sufficiency of information provided to the Directors;
- reviewing control and audit procedures, and approving internal control procedures;
- overseeing communications with shareholders and other stakeholders, including approving the quarterly financial statements, annual financial statements, Annual Report and Annual Information Form;
- overseeing succession planning and approving succession decisions for senior officers;
- establishing general Bank policies; and
- performing other tasks required by law.

The effectiveness of the Board and the committees is assessed annually by each Director. The Corporate Governance Committee considers Directors' comments and then proposes modifications to improve the Board and committee functions, and the Bank's corporate governance processes.

The Directors are elected to exercise their independent judgment on all issues concerning the Bank. At least two-thirds of all Directors are unaffiliated with and unrelated to the Bank. The determination of each Director's status is made in accordance with the Bank Act affiliation rules and by reviewing whether the size and importance of the business or other relationships of the Director and the Director's spouse with the Bank could reasonably give rise to a perception of a lack of independence for the Director.

The Board and committees can meet in the absence of management at their discretion and then, the Chair of the Corporate Governance Committee serves as chair of the meeting in his or her capacity as lead director. In accordance with the Bank's corporate governance policies, the Board, committees and individual Directors can retain independent advisors on any matter relating to the Bank. No Bank officers may be appointed to the Audit and Risk Management, Corporate Governance or Management Resources committees.

The Board expects the Chief Executive Officer and the Bank's other officers to manage all aspects of the Bank's business and affairs to achieve the Bank's objectives, and rates their performance accordingly. Management's discussion and analysis of the Bank's operating performance is included in this Annual Report, commencing on page 8.

The Bank's Shareholder Relations department provides information to shareholders and responds to their inquiries. Shareholder inquiries or suggestions are forwarded to the appropriate committee or person. The Bank has established toll-free lines by which shareholders, customers and others can receive information from the Bank and contact it: various telephone numbers, internet web site addresses and an internet e-mail address are provided on page 77 of this Annual Report. The Bank has also appointed an Ombudsman to assist customers with the resolution of complaints or disputes with the Bank.

The Bank's corporate governance practices comply with the Guidelines for Improved Corporate Governance in Canada adopted by The Toronto Stock Exchange.

BOARD OF DIRECTORS

A. Charles Baillie
Chairman and
Chief Executive Officer
Toronto

***William T. Brock**
Deputy Chairman
Toronto

M. Norman Anderson
President
Norman Anderson
& Associates Ltd.
Vancouver

G. Montegu Black
Chairman and President
Txibanguan Limited
Toronto

Eleanor R. Clitheroe
President and
Chief Executive Officer
Ontario Hydro
Services Co.
Toronto

Marshall A. Cohen
Counsel
Cassels Brock
& Blackwell
Toronto

Wendy K. Dobson
Professor and Director
Institute for
International Business
Joseph L. Rotman
School of Management
University of Toronto
Toronto

Henry H. Ketcham
Chairman of the Board,
President and
Chief Executive Officer
West Fraser
Timber Co. Ltd.
Vancouver

Pierre H. Lessard
President and
Chief Executive Officer
Metro Inc.
Montréal

Brian F. MacNeill
President and
Chief Executive Officer
Enbridge Inc.
Calgary

Roger Phillips
President and
Chief Executive Officer
IPSCO Inc.
Regina

Edward S. Rogers
President and
Chief Executive Officer
Rogers Communications
Inc.
Toronto

Helen K. Sinclair
Chief Executive Officer
BankWorks Trading Inc.
Toronto

Donald R. Sobey
Chairman
Empire Company
Limited
Stellarton, Nova Scotia

Michael D. Sopko
Chairman and
Chief Executive Officer
Inco Limited
Toronto

John M. Thompson
Senior Vice President
and Group Executive
IBM Corporation
Somers, New York

Richard M. Thomson
Former Chairman and
Chief Executive Officer
The Toronto-Dominion
Bank
Toronto

George W. Watson
Principal
Northridge Canada Inc.
Calgary

*Resigned effective January 31, 2000 in conjunction with his retirement from the Bank.

BOARD COMMITTEES

Audit and Risk Management Committee

MEMBERSHIP:

Wendy K. Dobson
Chair

Henry H. Ketcham — **Brian F. MacNeill**
Pierre H. Lessard — **Helen K. Sinclair**

This committee reviews the audited financial statements of the Bank before they are approved by the Board; reviews, evaluates and approves internal control procedures; and reviews any investments and transactions which could adversely affect the well-being of the Bank. The committee reviews and approves policies and procedures related to seven of the eight Canada Deposit Insurance Corporation Standards (credit risk management, foreign exchange risk management, interest rate risk management, internal control, liquidity management, real estate appraisals and securities portfolio management) and monitors the Bank's risk management performance and regulatory compliance program. The committee regularly meets with the shareholders' auditors, the Superintendent of Financial Institutions Canada and the Bank's Chief Financial Officer, Chief Auditor and Senior Vice President, Compliance in the conduct of its duties.

This committee also reviews procedures for and approves transactions with related parties of the Bank, as defined by the *Bank Act*, and ensures that any such transactions which have a material effect on the stability or solvency of the Bank are identified. In addition, it reviews, monitors and approves procedures established by the Board to resolve conflict of interest situations and to restrict the use of confidential information, monitors procedures relating to disclosure of information to customers of the Bank that is required by the *Bank Act* and monitors the functions of the Bank's Ombudsman.

Corporate Governance Committee

MEMBERSHIP:

Marshall A. Cohen
Chair

Eleanor R. Clitheroe — **Michael D. Sopko**
Roger Phillips — **George W. Watson**
Edward S. Rogers

This committee is responsible for corporate governance issues, including structures and procedures for the independent functioning of the Board. It recommends criteria for the composition of the Board and the number of Directors. It also identifies candidates for the position of Director, reviews their qualifications, annually assesses the contribution of each Director, recommends to the Board a slate of Directors for election at the Annual Meeting, and recommends to the Board candidates to fill any vacancies on the Board that occur between Annual Meetings.

Executive Committee

MEMBERSHIP:

A. Charles Baillie
Chair

M. Norman Anderson — **Edward S. Rogers**
G. Montegu Black — **John M. Thompson**
Marshall A. Cohen — **Richard M. Thomson**
Wendy K. Dobson — **George W. Watson**

Since the Board has been reduced in size, it has become increasingly effective to hold discussions at full Board meetings on matters which previously would have been discussed at Executive Committee meetings. This committee is now an ad hoc committee, which meets as required.

Management Resources Committee

MEMBERSHIP:

John M. Thompson
Chair

G. Montegu Black — **Donald R. Sobey**
Brian F. MacNeill — **Michael D. Sopko**

This committee reviews and approves executive compensation policies and practices and the Bank's benefit plans. It reviews significant organizational changes, monitors succession planning, and reviews and recommends to the Board candidates for senior officer appointments. The committee recommends to the Board terms and conditions of any incentive or deferred compensation plan for officers of the Bank, and also reviews executive pension plans and loans to senior officers.

Senior officers

Chairman and Chief Executive Officer
A. Charles Baillie
Toronto

Deputy Chairman
William T. Brock
Toronto

Vice Chairs:
J. Duncan Gibson
Toronto
Robert P. Kelly
Toronto
Stephen D. McDonald
Toronto
Donald A. Wright
Toronto

Executive Vice Presidents:
Allen W. Bell
Oakville
R. Glenn Bumstead
Toronto
Jeffrey R. Carney
Toronto
* **Heather E. Conway**
Toronto
Michael A. Foulkes
Toronto
* **J. David Livingston**
Toronto
Robert F. MacLellan
Toronto
Daniel A. Marinangeli
Toronto
* **Christopher A. Montague**
Oakville
Michael P. Mueller
Toronto
Frank Petrilli
New York, U.S.
Thomas R. Spencer
Toronto

Senior Vice Presidents:

Pacific Division
Retail Banking
James M. Babcock
West Vancouver

TD Securities
High Yield
Peter A. Bethlenfalvy
New York, U.S.

TD Securities
Investment Banking
Julian M. Bott
London, England

TD Securities
Corporate Banking
Pierre de G. Boulanger
Singapore

Group Operations
James E. Chamberlain
Oakville

Group Risk
Management
Mark R. Chauvin
Burlington

TD Securities
Corporate Banking
John F. Coombs
Toronto

TD Securities
Investment Banking
Ian S. Crowe
Darien, Connecticut

Group Operations
John T. Davies
Mississauga

Electronic Banking
Retail Banking
Suzanne Deuel
Toronto

Group Human Resources
Robin A. Dines
Pickering

Group Human Resources
Edward G. Donaldson
Unionville

TD Securities
Treasury Services
Kenneth L. Dowd
Toronto

TD Securities
Corporate Banking
Steve H. Fryer
Scarsdale, New York

TD Economics
Ruth Getter
Toronto

Human Resources
Retail Banking
Brian J. Haier
Toronto

TD Securities
Foreign Exchange
and Money Markets
* **Martine M. Irman**
Toronto

Group Finance
David E. Kay
Ajax

Ombudsman
A. Douglas King
Toronto

Québec Division
Retail Banking
Robert R. Laverdure
Westmount

TD Securities
Debt Capital Markets
Michael W. MacBain
Toronto

TD Securities
John B. MacIntyre
Toronto

Visa, Retail Banking
Walter M. Macnee
Toronto

Wealth Management
Services
Bharat Masrani
London, England

Atlantic Division
Retail Banking
Margo M. McConvey
Halifax

Ontario Division
Retail Banking
Paul A. McGrath
Toronto

Group Risk
Management
* **Nico Meijer**
Toronto

Group Operations
Somasundar K. Mosur
Mississauga

Assistant General
Counsel
I. Alexander Norton
Toronto

Wealth Management
Services
Gerard J. O'Mahoney
Oakville

TD Quantitative Capital
Barbara F. Palk
Toronto

Audit, Group
Administration
Pankaj Puri
Toronto

Group Operations
* **Claudia Radasanu**
Toronto

TD Securities
Institutional Equities
Andrea S. Rosen
Toronto

Real Estate Operations
Ronald E. Ruest
Toronto

Insurance
Retail Banking
H. Dunbar Russel
Toronto

Wealth Management
Services
John G. See
Oakville

TD Asset Management
Bruce M. Shirreff
Toronto

Commercial Banking
J. David Sloan
Toronto

National Sales
Retail Banking
Jeffrey Somerville
Toronto

Personal Credit
Products
Retail Banking
Stephen W. Stewart
Aurora

Wealth Management
Services
Robert L. Strickland
Tokyo, Japan

Prairie Division
Retail Banking
R. Iain Strump
Calgary

Wealth Management
Services
Ian B. Struthers
Sydney, Australia

TD Securities
Merchant Banking
Natalie K. Townsend
Toronto

TD Securities
International Debt
Capital Markets
Lance D.G. Uggla
St. Albans, England

Group Risk
Management
Paul I. Verwymeren
Burlington

TD Asset Management
J. Mark Wettlaufer
Toronto

TD Securities
Investment Banking
Mark G. Wheaton
Toronto

Private Client Group
Retail Banking
* **D. Kevin Whelly**
Toronto

The list of senior officers above includes their municipality of residence.

*Appointment effective November 18, 1999.

**All of the senior officers listed have held management or senior management positions with the Bank for the past five years, except for the following officers, each of whom previously held management or senior management positions with another financial institution, investment counsellor, public relations firm or law firm during the past five years:
J.M. Bott,
H.E. Conway,
R.F. MacLellan,
N. Meijer,
C.A. Montague,
F. Petrilli,
P. Puri,
H.D. Russel,
R.L. Strickland,
M.G. Wheaton,
D.K. Whelly and
D.A. Wright.

SHAREHOLDER AND INVESTOR INFORMATION

GENERAL INFORMATION

Head Office
Address:
The Toronto-Dominion Bank
P.O. Box 1
Toronto-Dominion Centre
King St. W. and Bay St.
Toronto, Ontario
M5K 1A2
(416) 982-8222

Fax:
(416) 982-5671

Telex
General: 06524267
Answerback: Torbadom Tor

Cable address:
Torbadom, Toronto

Products and services:
Contact TD Access Telephone Banking, 24 hours a day, seven days a week

Toronto – (416) 983-2265
Toll free – 1-800-983-2265
French – 1-800-895-4463
Cantonese/Mandarin – 1-800-387-2828

Telephone device for the deaf – (416) 982-4258 (call collect)

General and financial:
Contact Corporate & Public Affairs, (416) 982-8578

Internet web sites:
http://www.tdbank.ca
http://www.tdaccess.com

Internet e-mail:
tdinfo@tdbank.ca

Please be advised that the internet is not a secure medium, therefore confidentiality and security cannot be ensured for information transmitted over it. The Toronto-Dominion Bank and its subsidiaries will not be responsible for any damages you may suffer if you use the internet to transmit confidential or sensitive information via e-mail to us or to request and receive such information from us.

ANNUAL MEETING

March 29, 2000
10:30 a.m.
Four Seasons Hotel, Vancouver, B.C.

AUDITORS

Ernst & Young LLP
KPMG LLP

SHAREHOLDER SERVICES

Shareholder inquiries:
Any written inquiries other than change of address or change in registration of shares may be directed to The Secretary, Head Office.

Shareholders may call the Shareholder Relations department **collect** at (416) 944-5743.

Shareholder information is available by calling toll-free in Canada or the United States **1-800-4NEWS-TD** (1-800-463-9783); in Toronto, call **982-NEWS** (982-6397) or outside Canada, call (416) 944-5743 **collect**.

Change of address or change in registration:
Please write to the Bank's transfer agent.

Transfer agent:
CIBC Mellon Trust Company
320 Bay Street
Toronto, Ontario
M5H 4A6

Co-transfer agent and registrar in New York:
ChaseMellon Shareholder Services
85 Challenger Road
Overpeck Center
Ridgefield Park, NJ 07660

Shareholder service agent in Japan:
The Dai-Ichi Kangyo Fuji Trust & Banking Co. Ltd.
1–17–7, Saga, Koto-ku
Tokyo, Japan.

Financial mailing list:
The Bank maintains a mailing list so non-registered shareholders can receive quarterly financial statements and the Annual Report. To add your name to this list, please write the Bank's transfer agent.

Duplicate mailings:
Some shareholders may receive more than one copy of publications such as quarterly financial statements and the Annual Report. Shareholders who receive duplicate mailings are asked to call the Shareholder Relations department.

MARKET LISTINGS

Toronto Dominion Bank common stock is listed on:
The Toronto Stock Exchange
Canadian Venture Exchange
The Winnipeg Stock Exchange
The London Stock Exchange
The New York Stock Exchange
The Tokyo Stock Exchange

Toronto Dominion Bank preferred stock is listed on:
The Toronto Stock Exchange

Units, each consisting of one Non-cumulative Redeemable Class A First Preferred Share, Series I and one Non-cumulative Redeemable Class A First Preferred Share, Series J Purchase Warrant, are listed on The Toronto Stock Exchange.

The Preferred Shares, Series A ("HYBRIDS") of TD Mortgage Investment Corporation are listed on The Toronto Stock Exchange.

A number of deposit notes issued by the Bank and guaranteed notes issued by the Bank's wholly-owned subsidiaries are listed on one of:
Luxembourg Stock Exchange
The London Stock Exchange.

DIVIDENDS

Direct dividend depositing:
All shareholders may have their dividends deposited directly to any bank account in Canada or the United States. For this service, please write to the Bank's transfer agent or call the Shareholder Relations department.

U.S. dollar dividends:
Dividend payments sent to U.S. addresses or made directly to U.S. bank accounts will be made in U.S. funds unless a shareholder otherwise instructs the Bank's transfer agent. Other shareholders can request dividend payments in U.S. funds by writing to the Bank's transfer agent or calling the Shareholder Relations department. Dividends will be exchanged into U.S. funds at the Bank of Canada noon rate on the fifth business day after record date, or as otherwise advised by the Bank.

DEBENTURE SERVICES

Trustee for debentures:
Montreal Trust Company
Corporate Services Division
151 Front St. W., Suite 605
Toronto, Ontario
M5J 2N1

STOCK INFORMATION	TICKER SYMBOL	CUSIP NO.
Common Shares	TD	891160 50 9
Non-cumulative Redeemable Class A First Preferred Shares, Series G	TD.PR.U	891160 87 1
Non-cumulative Redeemable Class A First Preferred Shares, Series H	TD.PR.H	891160 85 5
Units, each consisting of one Non-cumulative Redeemable Class A First Preferred Share, Series I and one Non-cumulative Redeemable Class A First Preferred Share, Series J Purchase Warrant	TD.UN	891160 81 4
TD Mortgage Investment Corporation HYBRIDS	TDB.M	871949 AA 1

Vous pouvez vous procurer des exemplaires français du rapport annuel au service suivant :
Affaires internes et publiques
La Banque Toronto-Dominion
P.O. Box 1
Toronto-Dominion Centre
Toronto, Ontario
M5K 1A2

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19504


WE'RE HERE
TO HELP
MAKE IT
EASIER.
TD